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To: Dalindyebo Shabalala

Director, Intellectual Property and Sustainable Development Project  
Center for International Environmental Law (CIEL)  
15 Rue des Savoises  
1205 Geneva  
Switzerland

**Legal memorandum on the Options for Antigua in Suspending Copyright-  
Related TRIPS Obligations against the US in the US-Gambling Case<sup>1</sup>**

From: Jungmin Kim, Alexandra Goossens, Ksenia Mazurova and Lelia Otmani.

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<sup>1</sup> This memorandum is a research paper prepared on a *pro bono* basis by students at the Graduate Institute of International and Development Studies (IHEID) in Geneva. It is a pedagogical exercise to train students in the practice of international trade law, not professional legal advice. As a result, this memorandum cannot in any way bind, or lead to any form of liability or responsibility for, its authors, the supervisors of the IHEID trade law clinic or the Graduate Institute.

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## I. EXECUTIVE SUMMARY

1. On 21 December 2007 arbitrators in the US-Gambling dispute found that Antigua and Barbuda (hereinafter Antigua) may request authorization from the Dispute Settlement Body (DSB) to suspend obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) as against the United States relating to various Intellectual Property (IP) rights at a level not exceeding 21 million USD annually. This memorandum analyzes the ways in which Antigua could cross-retaliate, using the suspension of its obligations on copyright.

2. It first explores the effects of the suspension of new copyright grants, then those of existing copyright grants, and finally the effects of suspending enforcement. It is argued that suspending new and existing copyright grants is legally feasible.

3. Copyright grants are considered to be new after the date of suspension. It is therefore argued that suspending new grants would have great impact because it would target the most recent films and CDs. Suspending *new* copyrights would however entail some difficulties regarding calculation of the level of suspension (that has to be equivalent to the level of nullification and impairment determined by the DSB). It is argued that suspending *existing* copyright grants would be easier regarding calculation, but would have a biggest impact if the most recent works are targeted. This memorandum highlights two controversial issues of suspending new and existing copyrights: nationality and territoriality.

4. Antigua, while implementing IP cross retaliation, should assure that the suspension of its obligations must not target nationals of the countries other than those of the US. The second issue concerns the territorial scope of an authorization to suspend concessions. It is widely argued that a withdrawal of TRIPS obligations is limited to the territory of the retaliating country, and imports into other countries where the products are IP protected are in principle infringing. The present memorandum would challenge this position on several grounds. One of them that would be considered by the memorandum is the doctrine of *international exhaustion* of IP rights. It is argued that the countries following this type of exhaustion regime would be free to import the goods produced by Antigua under a suspension regime. Such possibility would increase substantially the effect of retaliatory measures undertaken by Antigua.

5. The memorandum then studies suspension of enforcement of copyright grants, and it is argued that this is not really an issue, as suspending a right in the first place will have the effect that enforcement is not triggered.

6. The memorandum proposes different concrete models to implement cross retaliation in the field of copyrights in Antigua. The basis will be the enactment of a legislation that will allow cross retaliation to be implemented at the national level, according to the DSB authorisation. The other models would be to create a website with a server in Antigua, to suspend the payments of the royalties to the IP right holders and to grant licences on a free basis.

7. It is argued that the first model – creating a website with a server in Antigua – would probably have the greater impact. Antigua could offer digital copies of US movies, music, video games and computer software for *download* at quite low prices over the internet what could potentially allow worldwide availability of these works. It may attract attention and IP companies may lobby and pressure the government which may ultimately comply.

8. Taking into consideration the small size of Antigua market this memorandum therefore recommends that different models be applied simultaneously so as to ensure that the US\$21 million level is reached and to have better chances of inducing compliance by the United States.

9. Finally the memorandum studies whether the WTO DSB decision could authorize its members to derogate from the Berne Convention. Also, it refutes possible legal challenges against Antigua, based on the Vienna Convention on the Law and Treaties (VCLT). We recommend Antigua to use Article 30 of the VCLT to counter against the possible legal challenges imposed by the United States, but it may be problematic from the point of view of the application of the Article 30 of the VCLT as it will depend on the legal interpretation made of it.

## II. FACTUAL BACKGROUND: THE AUTHORIZATION FOR CROSS-RETALIATION

10. Compared to traditional retaliation, which mainly consists of raising tariffs, cross retaliation has a larger number of tools that could be interesting for developing countries. One of them would be the opportunity to cross retaliate in the IP sector, which could help overcoming to some extent the problem of the alleged ineffectiveness of remedies under the

DSU for developing countries. Moreover, developing countries often see IP rights and obligations as harmful to their economies, and suspension may therefore be considered as a least burdensome and one of the most efficient ways to retaliate and induce compliance of the defaulting state.<sup>2</sup>

11. Cross retaliation has been authorized in two cases: first, in the *EC-Bananas* case<sup>3</sup>, Ecuador has been granted the right to cross retaliate under TRIPS as against the EC. It did not, however, implement it and the dispute was eventually settled. The second authorization has been granted to Antigua as against the United States.

12. On June 22, 2007, “as a result of the United State's failure, as of 3 April 2006, to bring its measures affecting the cross-border supply of gambling and betting services into compliance with the GATS or to otherwise comply with the rulings and recommendations of the DSB in *United States– Measures Affecting the Cross-Border Supply of Gambling and Betting Services*”<sup>4</sup> and pursuant to article 22.2 of the Dispute Settlement Understanding (DSU), Antigua requested “authorization from the DSB to suspend the application to the United States of concessions and related obligations of Antigua under the *GATS* and the *TRIPS*.”<sup>5</sup> In other words, Antigua requested the authorization to cross retaliate.

13. On December 21, 2007, following on the United Sates recourse to arbitration under article 22.6 of the DSU, the arbitrator determined that had “followed the principles and procedures of Article 22.3 of the DSU in determining that it is not practicable or effective to suspend concessions or other obligations under the GATS and that the circumstances were serious enough. Accordingly, [...] Antigua may request authorization from the DSB, to suspend the obligations under the TRIPS Agreement.”<sup>6</sup> The Arbitrator also determined that the annual level of nullification or impairment of benefits accruing to Antigua is US\$21 million. Antigua can therefore suspend concessions at a level not exceeding US\$21 million annually.

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<sup>2</sup> Or at least as an interesting bargaining tool when settling the dispute. See S. Basheer, *Turning TRIPS on its head: an IP cross retaliation model*, 2009, p.5

<sup>3</sup> Decision by the Arbitrators, European Communities – Regime for the Importation, Sale and Distribution of Bananas – Recourse to Arbitration by the European Communities Under Article 22.6 of the DSU, WT/DS27/ARB/ECU, available at [http://www.wto.org/english/docs\\_e/docs\\_e.htm](http://www.wto.org/english/docs_e/docs_e.htm)

<sup>4</sup> WT/DS285/22

<sup>5</sup> Ibid.

<sup>6</sup> WT/DS285/ARB, p.78

### III. LEGAL BACKGROUND

#### A. Cross-retaliation under the WTO framework

14. Cross retaliation is legal under the WTO framework. This possibility exists under article 22 of the DSU regarding compensation and the suspension of concessions. There are, however, several conditions to fulfil in order to receive the authorization to cross retaliate. They can be found in article 22.3(c) of the DSU, which reads as follows:

22.3. In considering what concessions or other obligations to suspend, the complaining party shall apply the following principles and procedures:

(c) if that party considers that it is not practicable or effective to suspend concessions or other obligations with respect to other sectors under the same agreement, and that the circumstances are serious enough, it may seek to suspend concessions or other obligations under another covered agreement.

15. After having assessed that the circumstances were serious enough and that traditional retaliation was not practicable or effective, the arbitrators examined in more details the specific request by Antigua to suspend obligations under the TRIPS Agreement. They recalled that pursuant to article 22.7 of the DSU, their mandate does not allow them to “consider the nature of the obligations to be suspended.”<sup>7</sup> Article 22.7 reads as follow:

The arbitrator acting pursuant to paragraph 6 shall not examine the nature of the concessions or other obligations to be suspended but shall determine whether the level of such suspension is equivalent to the level of nullification or impairment.

16. The arbitrators however added that “it is important that the form that is chosen in order to enact the suspension is such as to ensure that equivalence can and will be respected in the application of the suspension, once authorized.”<sup>8</sup> The obligation to ensure equivalence between the level of nullification and impairment and the level of suspension of concessions is indeed essential in the process of cross retaliation and at the same time is quite complex to observe, especially in the field of IP rights. The United States is likely to use this complexity to challenge the measures undertaken by Antigua.

17. So, Antigua shall seek to cross retaliate strictly within the US\$21 million limit determined by the arbitration panel and preferably use a transparent mechanism of cross retaliation in order to be able to track the calculations of the suspension level.

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<sup>7</sup> WT/DS285/ARB, p.77, para. 5.9

## **B. The TRIPS Agreement**

20. The TRIPS Agreement is the treaty under which Antigua intends to take sanctions (i.e. to suspend its obligations and concessions) against the United States.

21. In its request Antigua identified certain obligations under the TRIPS Agreement that it proposed to suspend. “Specifically, Antigua indicated that it intends to take countermeasures in the form of suspension of concessions and obligations under the following sections of **Part II of the TRIPS: Section 1: Copyright and related rights, Section 2: Trademarks, Section 4: Industrial designs, Section 5: Patents and Section 7: Protection of undisclosed information.**”<sup>9</sup> The Arbitration award clearly authorized Antigua to suspend concessions and obligations as mentioned in their request for cross retaliation, that is to say the above mentioned categories of IP rights. So, Antigua only received a formal authorization to suspend the above specific sections of Part II of the TRIPS Agreement.

22. As this memorandum is focusing on copyrights, the relevant provisions under TRIPS are under Section 1: Copyrights and related rights. In this section, article 9(1) incorporates articles 1 to 21 of the Berne Convention<sup>10</sup> which mainly considers copyrights and related rights (i.e. the right to broadcast, to distribute, to reproduce, to adapt cinematographic or any literary or artistic works).

## **C. Cross retaliation: National Implementation**

23. Cross retaliation is legal under the WTO framework, but in order to be legal in Antigua, it has to enact a domestic legislation that will embody the DSB authorization and that will allow for suspension of its obligation on a temporary basis, during the period of cross retaliation. Such an act would be central for the legal feasibility of cross retaliation.

24. This act shall be based on the final arbitration award, pursuant to article 22.6 of the DSU. It also shall be enacted according to the Constitution of Antigua, and the Constitution may indeed limit the cross retaliation possibilities. The details of such a piece of legislation shall be examined below under Part III – The Practical Models.

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<sup>8</sup> Ibid. para. 5.10

<sup>9</sup> WT/DS285/ARB, para. 5.6

#### IV. SUSPENSION OF NEW AND EXISTING COPYRIGHT GRANTS

##### **A. The suspension of new copyright grants under the TRIPS Agreement**

25. To suspend new copyright grants under the TRIPS Agreement is one of the legal and effective ways in which Antigua could cross-retaliate against the United States. To suspend new copyright grants on music recordings, movies and videogames may be the easiest and the most effective solution. For example, the copy and reproduction of a music CD or DVD would be quite cheap and would not require specific materials, while creating a big impact on consumers.

26. The first way to suspend new copyrights would suppose not to grant copyrights and not to recognize copyrights within Antigua to U.S. artistic and literary works coming into being after the decision to suspend copyrights protection has been taken by Antigua. There would be no right, as automatic granting would be suspended.

27. The other way of suspending new copyrights would be to grant copyrights to U.S. artistic works coming into existence after the Antiguan decision to suspend, and to immediately and automatically suspend these copyright grants.

28. One of the issues that may arise is determining the date of creation of a copyright. Indeed, the creation of a copyright does not depend on official procedures: a created work is considered protected by copyright as soon as it exists<sup>11</sup>. Consequently, the determination of the date of creation of a copyright being approximate, it may be problematic to determine from when to start the protection, when it is not registered.

29. In practice, most countries provide protection once they can reasonably consider that they have been notified by the existence of a publication of any kind, taking as a reference the date of a legal notice of publication. For example, the U.K. system advises the creator to mark his work with the © symbol, the name of the copyright owner and the year in which the work was created and send himself a copy by special delivery post, in order to have a clear date stamp on the envelope, leaving the envelope unopened on its return.

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<sup>10</sup> TRIPS article 9(1) does not incorporate article 6 *bis* of the Berne Convention.

<sup>11</sup> According to the Berne Convention for the Protection of Literary and Artistic Works, literary and artistic works are protected without any formalities in the countries party to that Convention.

30. Another possible solution to overcome this difficulty would be to consider “new copyright” as “future copyright”, following the definition given by the Antiguan Copyright Act of 2003. Such a definition would permit to clarify some issues, as for the distinction between “existing” and “new” copyrights:

*“future copyright” means copyright which will or may come into existence in respect of any future work or class of works or on the occurrence of a future event”<sup>12</sup>.*

31. However, the present memorandum would consider “new” copyrights as those coming into existence after the decision of Antigua to suspend takes effect.

32. Two possible models have to be distinguished.

### **1. The case in which U.S. “new” copyrights are not granted by Antigua**

33. The suspension of copyright grants is intended to be temporary<sup>13</sup>, as it aims at inducing compliance. It means that once the suspension is over, because the equivalent level of impairment and nullification is reached or that the United States has complied, Antigua would have to re-establish new copyright grants on its territory for U.S. products.

34. The duration of copyright in Antigua is the life of the author plus 50 years after his death, except when the authorship is not known<sup>14</sup>:

*“10. (1) Subject to this section, copyright in any literary, dramatic, musical or artistic work expires at the end of the period of fifty years from the end of the calendar year in which the author died;*

*(2) Where the authorship of a work referred to in subsection (1) is unknown, copyright in that work expires at the end of the period of fifty years from the end of the calendar year in which the work was either made, was first made available to the public or first published whatever date is the latest, but subsection (1) applies if the identity of the author becomes known during that period”.*

35. Copyrighted works are protected for a limited period of time which depends on national legislation. For the term of protection to start running, copyrights for these works

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<sup>12</sup> The Copyright Act 2003, Antigua and Barbuda, Part I, section 2.

<sup>13</sup> Article 22 DSU clearly states that suspension of obligations or concessions is temporary.

<sup>14</sup> Antigua and Barbuda’s Copyright Act, 2003, Part II-Copyright, Section Duration of Copyright Protection

have, first, to be granted<sup>15</sup> to, and then exercised by an IPR holder. In this particular case, the duration of new copyrights would begin running from the time the suspension is over, according to the provisions of the Antigua and Barbuda Copyright Act of 2003.

36. The non-granting of new copyrights would mean that Antigua does not recognize copyrights coming into existence after its decision to suspend copyrights. As a result, new copyrighted works would directly fall into Antigua's public domain.

37. A work in the public domain is a creative work that is not protected by copyright and which may be freely used by everyone. In ordinary practice the reasons for the work to fall into the public domain and, thus, for not being protected, are as follows: the term of copyright for the work has expired<sup>16</sup>, or the creative work does not satisfy the requirements for protection, specified in Antigua's Copyright Act of 2003:

*(1) Unless otherwise specifically provided in this Act, copyright does not subsist in any work unless it satisfies the requirements specified in this Part as respects:*

*(a) the category of work; and*

*(b) either:*

*(i) the qualification of the author; or*

*(ii) the country or place of first publication, or in the case of a broadcast or cable programme, the county or place where it is made or from which it is sent, as the case may be<sup>17</sup>.*

38. In the present case other reasons for a creative work to be in the public domain would be non- granting or suspending of the copyright.

39. Falling of new creative works into Antigua's public domain would be problematic from the point of view of Art.22.4 of the DSU which requires that the level of retaliation (or cross retaliation) be equivalent to the level of nullification and impairment caused by the violation. Suspension of new copyrights would face the problem of calculation of the level of nullification and impairment, as once new creative works fall into the public domain, anyone would be entitled to freely use them without authorization. In such a case Antigua may not be able to control the number of persons using those denied rights, as well as the amount of

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<sup>15</sup> Grant of a copyright meaning an automatic grant by a state. Even if a copyright starts immediately with the creation of a work, still it is not an inherent (human) right of the author, it is granted to him through the existing IP state legislation.

<sup>16</sup> Term of joint works is measured by life of the longest-lived author.

<sup>17</sup> Antigua and Barbuda's Copyright Act of 2003, Part II-Copyright, Section-Protected work, Subsection 5.

copies, reproductions, broadcasting (etc.) done by them. The United States would probably challenge the fact that Antigua has let the new creative works fall into the public domain.

40. To avoid this problem of calculation of the level of nullification and impairment, a possible solution would be for Antigua to appropriate copyrights attached to the new creative works, thus avoiding leaving the works in the public domain. This could serve as a way for Antigua to “hold” and exercise these rights in exclusivity and thereby to keep track of, for example, lost royalties and the level of cross-retaliation inflicted.

41. However, to appropriate and use U.S. copyrights attached to new creative works may be perceived by their IPR holders as expropriation as Antigua would not recognize IPR holders’ property on the U.S. new creative works.

42. Copyright is an artistic intellectual property, protected as a private property. It is an economic right allocated to the authors of the copyrighted work and exercised by them. Consequently, they cannot be deprived of their private property. However, in most country, the degree of protection of private property is located between absolute protection and no protection, that is to say that a right of the State to use and/or take away (“expropriate”) private property is recognized for certain defined purposes<sup>18</sup>.

43. Expropriation is the result of the deprivation of the IPR holders’ exercise and use of their property rights against their will by an act of the expropriating State. To be legal, expropriation has to be based on the expropriating State’s public interest and the benefit of its collective community, in view of which just compensations would be due to the IPR holder.

44. In the particular case, the feasibility of taking the ownership of the U.S. new creative works once in the public domain would depend on Antigua’s constitutional law and the conditions allowing Antigua to take away private property. Indeed, if private property rights are protected by the Antiguan Constitution, under very strict conditions, Antigua would not be able to pass an act to overcome its Constitution and make expropriation easier<sup>19</sup>.

45. Considering that Antigua has a standard property right protection, Antigua would have to demonstrate that the non recognition of the U.S. new creative works on its territory is a matter of public good. Antigua may use that argumentation, knowing that expropriation would be implemented to induce compliance of the United States, in order to protect the Antiguan economy.

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<sup>18</sup> These purposes are defined in the national law of the State.

<sup>19</sup> The national Constitution of a country is the supreme law and cannot be opposed by a standard national law.

46. However, the United States may challenge this argumentation, especially because a legal expropriation supposes a just compensation to be paid to the IPR holder. Consequently, we would not recommend Antigua this solution. It would be preferable to recognize and grant copyright to U.S. new creative works coming into existence after the suspension date and immediately suspend them.

## **2. The case in which U.S. “new” copyrights are granted by Antigua, then suspended**

47. In this model Antigua would recognize U.S. new copyrights coming into existence, after the decision of suspending copyrights has become effective, at the moment they are legally notified in Antigua, and immediately suspend the copyright grants, before any right could be exercised. The U.S. new copyrighted works would then fall into the public domain. This method may avoid the issue of expropriation, as the private property would be recognized to the U.S. IPR holders, but would be temporarily suspended.

48. Once the works fall into the public domain, Antigua may be able to take the place of the copyright holder. Legal ways of appropriation may be available under Antiguan domestic and/or constitutional law.

49. This method may be easier from a legal point of view, and would be less likely to be challenged by the United States or to be perceived as expropriation, as Antigua would have granted copyrights to U.S. new copyrighted works.

50. As the U.S. new copyrights would come into existence (the copyrights being granted by Antigua), the term of duration of copyrights may start running from the moment Antigua appropriates U.S. new copyrights. The issue of the moment of duration of U.S. new copyrights would depend on the Antiguan domestic law.

51. This method may be problematic for the original copyright holders who would not have been benefiting from their new copyrights and related rights, but it would be the most efficient one. Indeed, it might induce compliance from the United States even faster, as the original IPR holders may pressure their government because the term of the duration of their new copyrights would be running without benefits for them. Moreover, as the term of the duration of the U.S. copyrights would expire earlier, Antigua could benefit even quicker.

52. A TRIPS suspension of new copyright grants<sup>20</sup> could be an effective way of inducing compliance by the United States with WTO rules as it would create a great PR impact (movies, music CDs or videogames). Indeed, more people would be willing to get copies of the very recent U.S. copyrighted works. IPR holders may pressure the U.S. Government in order to have their copyrighted works protected.

53. However, the suspension of new copyright grants could also create a deterrent effect on copyright holders. Indeed, once the decision of Antigua to suspend new copyright grants would be known, copyright holders may decide not to distribute and market their products on the Antiguan market (movies, CDs, videogames, books etc.), in order to protect their exclusive rights.

54. In the hypothesis in which Antigua would take the place of the copyright holder after having granted and suspended new copyrights, Antigua could always find a way to obtain new copyrighted works in order to use them. For instance, Antigua could import authorized U.S. new copyrighted works from other countries, including the United States, and then reproduce/copy them.

55. There is no provision under TRIPS that could prevent Antigua to do such importations, as long as they are not infringing copies. The U.S. customs may not block small-scale exportations of authorized music CDs, for instance, that would have been legally bought in a music store by an Antiguan citizen. Antigua, in case it would take the place of the copyright holder, may also face technical difficulties in case of digital works (such as DVD, CDs, videogames etc.), as today new copyrighted works tend to have more sophisticated protection in order to prevent piracy. Antigua would have to obtain the technology and access codes necessary to use the media content of digital works.

56. One possible solution for Antigua to overcome this technical difficulty would be to require U.S. cooperation, in order to access the relevant technologies and access codes. Another possible solution for Antigua would be to seek the services of *hackers*, in order to break the access restrictions (for copies etc.).

57. Antigua is not a party to the WIPO Copyright Treaty (WCT) and the WIPO Phonograms and Performances Treaty (WPPT), which are the treaties considering the impact of new technologies on the protection of intellectual property rights. Consequently, Antigua could legally hire *hackers* in order to break the access restrictions, as they do not have to

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<sup>20</sup> From now, we are considering the hypothesis in which Antigua and Barbuda would have taken the place of the copyright holder, after having recognized the new copyright grants and having immediately suspended them.

protect Digital Rights Management (DRM)<sup>21</sup>, the access control technologies imposing limitations on the use of digital content and devices, in order to make almost impossible any unauthorized use of such them. Antigua could obtain the DRM compulsory licenses and use them freely.

58. It may be difficult to assess the level of impairment and nullification because the assessment of the economic value of the suspended rights in the second model cannot be done by reference to the licensing royalties. Antigua could borrow the method of calculation of the *US – Section 110 (5) Copyright Act* case arbitration decision, in which the Arbitrators estimate the lost royalties based on the royalties that EC right holders would have received from American collective management organizations that normally undertake the enforcement of copyrights.<sup>22</sup> However, in the *US – Section 110 (5) Copyright Act* case, the amounts of royalties normally collected were available, which would not be possible in the particular case of Antigua (what royalty rates to use for the calculation of new copyrights, as they do not exist yet?).

59. A solution may be to use the amount of royalties that would be generated by the sale of a given CD in the United States in order to estimate the amount of royalties it may generate in Antigua. However, such estimation may be problematic as the U.S. and the Antiguan music CDs markets music for example, is quite different. Moreover, such estimation would be too approximate not to be challenged by the United States. Consequently, Antigua must find a methodology to calculate, knowing that it could be challenged by the United States<sup>23</sup>.

60. It would be unadvisable to suspend new copyright grants alone because it may not allow reaching the level of nullification and impairment as the Antiguan market is a very small market<sup>24</sup>. In case Antigua would not be able to reach other countries with its copies, we recommend Antigua to suspend both new and existing copyright grants. Moreover, to suspend new copyright grants together with the suspension of existing copyright grants may allow Antigua to reach faster the level of impairment and nullification, while having a bigger

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<sup>21</sup> DRM can be used by hardware manufacturers, publishers and copyright holders (etc.). It is being used by companies such as Sony, Microsoft, Apple Inc. and the BBC. DRM does not include other forms of copy protection such as serial numbers or key files.

<sup>22</sup> See, for example, paras. 3.37-3.39 of the *United States – Section 110(5) of the US Copyright Act*, Recourse to Arbitration by the European Communities under Article 25 of the DSU, Award of the Arbitrators, issued 9 November 2001, WT/DS160/ARB25/1.

<sup>23</sup> See above Part II on Factual background.

<sup>24</sup> The Antiguan population is approximately of 80000 inhabitants.

impact on the United States and the U.S. IPR holders, as all U.S. copyrighted works, new and existing, would see their protection suspended.

## **B. The suspension of existing copyright grants under the TRIPS Agreement**

61. A TRIPS suspension regime of existing copyrights could be considered as a legally feasible and effective way of cross retaliation. However, to make it viable and less susceptible to potential legal challenge by the United States, Antigua should take into consideration a number of legal nuances arising together with the suspension of existing copyrights, which would be highlighted further below in this section.

62. The sequence of steps taken by Antigua in suspending existing copyrights could be as follows. From the date of suspension, e.g. June 1, 2009, the selected rights on existing products could be suspended. That would theoretically mean that as of 1st of June works under suspended existing rights would go to the “public domain”. The latter term indicates that these materials would become “public property”, and therefore, available for anyone in Antigua to use for any purpose (this point was already discussed in the previous section on suspension of new copyrights). Illustratively, any Antiguan company could begin copying and selling any amount of DVDs of the latest Hollywood blockbusters without paying any royalties.

63. Though this option can inflict economic harm and a big psychological pressure on U.S. copyright holders by its scale and unpredictability, its major disadvantage lies exactly in the lack of the structure of cross retaliatory measures and in the absence of clear mechanisms for calculation of the equivalence between the level of suspension and that of nullification and impairment as was already pointed out in the section A of the memorandum. In the *US – Gambling* arbitration the panel stressed that the form of cross retaliation “should be transparent, so as to allow an assessment of whether the level of suspension does not exceed the level of nullification.”<sup>25</sup> This requirement of transparency would be difficult to attain in case the works under the suspended rights remain in the public domain.

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<sup>25</sup> Para. 5.10 of the *United States - Measures Affecting the Cross-Border Supply of Gambling and Betting Services - Recourse to Arbitration by the United States under Article 22 DSU*, Decision by the Arbitrator, December 2007, WT/DS285/ARB

64. One of the seemingly convenient solutions to the calculation of the suspension level for the works fallen into the public domain under suspended “existing” copyrights ( that would resemble the method used in relation to “new” copyrights, second model, discussed in the previous section) could be to follow the Arbitrators’ method in the *US-Section 110 (5) Copyright Act* case of calculating the estimated revenues that would have been paid to EC rights holders but for the enactment of Section 110 (5) (B). For this purpose, they made an estimate of the average annual amount for past three years of the royalties paid by the newly exempted establishments for their rights to broadcast radio and television music. Antigua could arguably follow this approach of estimating the amount of revenues that are likely to be generated by using the suspended copyrights.<sup>26</sup>

65. However, this method is far from being accurate and easy to apply. The Arbitrators in the *US-Copyright* case highlighted this problem: “In this case, the Arbitrators have encountered particular difficulties due to the lack of precise information available. This problem originated either in the actual absence of specific data for the type of transactions concerned (payment of royalties to E.C. right holders) or in the lack of co-operation on the part of some of the private entities which may have had the information. The absence of sufficiently specific information played a major role in the choices made by the Arbitrators with respect to methodology and calculations.”<sup>27</sup> The same problem is likely to be encountered in the case of Antigua. This method could be easily challenged by the United States.

66. To avoid legal challenge by the United States of the “public domain” option (based on difficulties of the calculation of the level of suspension and transparency of such method) the Government of Antigua may resort to the system of compulsory licensing. A “compulsory license” stands for an authorization given by a national authority to a person/company, without or against the consent of the right holder, for the exploitation of a subject matter protected by a patent or other intellectual property rights, in this case by copyrights.<sup>28</sup>

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<sup>26</sup> E.g. for a normal tariff retaliation one has not keep track of each shipment: an annual average of the last three years of trade flows is taken in the specific product, assuming that none will be imported with the sanction, then these averages are added up for each product, making sure that the total does not exceed the authorized amount. However, as it was noted by Arbitrators in *US-Gambling* case in para. 5.10 “the suspension of obligations under the TRIPS Agreement may involve more complex means of implementation than, for example, the imposition of higher import duties on goods, and that the exact assessment of the value of the rights affected by the suspension is also likely to be more complex.”

<sup>27</sup> Para. 4.15 of the United States – Section 110(5) of the US Copyright Act, Recourse to Arbitration by the European Communities under Article 25 of the DSU, Award of the Arbitrators, WT/DS160/ARB25/1

<sup>28</sup> Correa C. “IPRs and the Use of Compulsory Licenses: Options for Developing Countries”. South Centre TRADE Working Papers, p.3 at <http://www.netamericas.net/Researchpapers/Documents/Ccorrea/Ccorrea3.doc>

67. Today the right of States to issue compulsory licenses on patents and copyrights is the legally recognized practice. The power to enact laws on compulsory licensing arises from several international agreements such as Paris Convention for the Protection of Industrial Property, the relevant provisions of which were incorporated into the TRIPS Agreement (Art.31 “Other use without the authorization of the right-holder”). Though both treaties provide for compulsory licenses only in relation to patents, the legality and feasibility of such practice extended also to copyright.<sup>29</sup> The mechanism of compulsory licensing for copyrights is similar to that of the regular copyright licensing described further below.

68. Another way of proceeding with the suspension of .existing copyrights would be to take the place of the right holder by the Government of Antigua. In this case the State would acquire exclusive rights that are typically attached to the holder of the right. The 2003 Copyright Act No.22 of Antigua and Barbuda lists among such rights the following rights:

- (a) to copy the work;*
- (b) to issue copies of the work to the public by sale, rental public lending or otherwise of original or copy of the work that has not already been subject to distribution authorized by the owner of the copyright;*
- (c) to rent or lend to the public the original or a copy of an audio visual work, a work embodied in a phonogram, a computer programme, a database or musical work in the form of notation irrespective of the original or copy concerned;*
- (d) to perform the work in public or, in the case of a sound recording, film broadcast or cable programme, to play or show the work in public;*
- (e) to broadcast the work or include it in a cable programme service; or*
- (f) to make an adaptation of the work arrangement or other transformation and, in relation to such adaptation, to do any or all of the foregoing acts;*
- (g) to make a public display of the original or copy of the work;*
- (h) other communication to the public of the work ”.*<sup>30</sup>

69. The Government of Antigua could appropriate the selected copyrights through a legislative act and exercise them. The advantage of this method would be the possibility to centrally control and accurately calculate the level of suspension. However, to exercise efficiently certain rights (e.g. such as stated under item d) or f)) it would be more advantageous to transfer them to the specialized companies/entities. This could be done through a licensing system, a license meaning in the present context a document that will provide the acquiring party the right to use the copyright, the copyright ownership remaining with the owner, i.e. with the Government of Antigua.

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<sup>29</sup> In the field of copyright, “statutory licenses” are often established to permit third parties to use a copyrighted work in exchange for a fee, which is fixed either in the legislation itself or by a public or private agency authorized to fix, collect and distribute license fees. See Correa C. , supra note 30, p.4

<sup>30</sup> Antigua and Barbuda’s Copyright Act of 2003, Part II-Copyright, Section-Protected work, Subsection 9.

70. As a copyright license commonly has several component parts beyond the grant itself, including a term, territory, renewal provisions, and other limitations deemed vital to the licensor, the licensing system could be considered as quite an efficient method of control of correct application of the selected suspended rights and of accurate measurement of the level of suspension.

71. The licensing system proposed by Ecuador, for instance, seems to be a feasible way to address this issue. Antigua could follow the proposed path by granting licenses for the production of sound recordings, for instance, corresponding to a determined value, quantity and time. The government would reserve the right to revoke such licenses at any time. Each reproduction of a sound recording under this licensing scheme would correspond to a "suspension value" equivalent to the "right value" of a commercially most interesting sound recording<sup>31</sup> (the licensing model would be discussed under Part VI – “Practical models”- of the present memorandum).

72. The Government of Antigua should attempt to assure that the process of distribution of licenses remains under its supervision and a certain registration system should be established enabling the control of the products produced under the suspension and the calculation of the level of suspension. Practically, of course, it could be quite difficult to check every company, which has received a license, that it produces a specific maximum amount of CDs, for example. However, Antigua cannot be expected to micro-monitor the situation and track each possible extra copy. It must place the onus of legal compliance on the Antiguan companies that wish to use the suspended copyrights. If there is a transgression in this respect, then the copyright holder would have a claim against the concerned operator and not against the Government of Antigua.

73. It is important to note that the burden of proving that the complaining state has recovered more than what was due to it through the suspension of IP rights is on the defaulting state. So long as the model implemented by the complaining state is not wholly arbitrary, it is very difficult for the defaulting state to discharge the above mentioned burden.<sup>32</sup>

74. In terms of the selection of the rights for suspension from a legal perspective there seems to be no explicit prohibition (neither in the DSU, nor in TRIPS nor in the previous case

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<sup>31</sup> Paras. 161 -164, European Communities – Regime for the Importation, Sale and Distribution of Bananas, Recourse to Arbitration by the European Communities under Article 22.6 of the DSU, Decision by the Arbitrators, adopted 24 March 2000, WT/DS27/ARB/ECU.

law) on suspending a specific article or a combination of articles or the whole copyright sector (Section 1 of Part II TRIPS Agreement) under cross retaliation. The Arbitrators in the *US – Gambling* case only made a remark that the form that is chosen in order to enact the suspension ought to be one that ensures that “equivalence can and will be respected in the application of the suspension, once authorized”.<sup>33</sup>

75. Antigua was not required to specify precisely which "obligations" it intends to suspend once the suspension of concessions or other obligations is authorized by the DSB. The arbitrators simply determined that Antigua may request authorization from the DSB to suspend the obligations under the TRIPS Agreement, which were stated in its request that included *inter alia* Section 1 of Part II of TRIPS (without any precision concerning the suspension of concrete articles). Thus, arbitrators left the discretion to the complaining party to choose which specific provisions it would suspend within Section 1 of Part II.

76. Moreover, it is important to note that Antigua does not have to specify the precise rights it is suspending. Antigua can proceed with suspension of those rights it deems relevant as long as it doesn't suspend rights outside the authorized limits, in relation to copyrights meaning the whole Section 1, Part II of the TRIPS Agreement. It would be for the United States, if at all, to challenge the retaliation and point at the rights that they consider transgressing the set limits.

77. However, from the point of view of effectiveness Antigua should preferably choose for suspension the rights that could have a substantial economic impact on the United States and a minimum cost for Antigua. Antigua could assess the present market's demand and its own technical expertise and capacity<sup>34</sup>, and then select the relevant articles from Section 1 (Part II) of the TRIPS and from Articles 1-21 of the Berne convention (BC) (referred to in Art.9.1 of the TRIPS). For example, it could be the right of reproduction of sound and video recordings stipulated in the Art. 9 of the Berne convention, as it wouldn't require substantial technological and financial investments to produce and copy the CDs and/or DVDs. Among other examples could be the Art.11 BC on public performance right

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<sup>32</sup> Basheer, S. "Turning TRIPS on Its Head: An IP "Cross-Retaliation" Model." 2009, p.35

[http://works.bepress.com/shamnad\\_basheer/1/](http://works.bepress.com/shamnad_basheer/1/)

<sup>33</sup> Para. 5.10 of the United States - Measures Affecting the Cross-Border Supply of Gambling and Betting Services, WT/DS285/ARB

<sup>34</sup> The debate on technology capacity of cross retaliating countries is often raised especially in regard to developing countries in the field of patents. Small developing countries, such as Antigua and Barbuda, would hardly have the necessary technical expertise to produce some sophisticated pharmaceuticals the patents of which were suspended. The copyrights in this sense are more practical to suspend. However, even among them

and Art.11bis BC on broadcasting right. Another article that could be suspended is the Art.14 BC, namely the para.3 that forbids the implementation of compulsory licenses in regard to the reproduction of the cinematographic works.

78. Antigua can follow also another approach in deciding for itself which rights/articles to suspend. Instead of concentrating on which provisions exactly to suspend in terms of the subject matter under TRIPS Section 1 Part II, probably, it would be more reasonable to suspend, first of all, those copyrights that could be easily measured and in respect of which there already exists a “licensing” rate. These could be statutorily established rates (in the context of compulsory licenses), or rates established by collecting societies (such as rates for public performance of sound recordings), or rates that are present in existing individual voluntary licensing arrangements.

79. The choice of the articles (rights) for suspension based on the “clear measurement” criterion rather than on the subject matter (which also has to be taken into account but doesn’t have to be a determinant factor) would help to resolve one of the most acute problems of cross retaliation in IP rights, including copyright, namely the issue of equivalence of retaliation to the level of nullification and impairment caused by the violation (required by the Art.22.4 of the DSU).

80. By suspending existing copyrights (especially such as existing music and sound recording copyrights, where royalty rates established by collecting societies exist) the valuation could be done in quite an accurate manner. In this respect the resort to the licensing system mentioned earlier could help efficiently to resolve this issue.

81. Another model of calculating the level of cross retaliation by Antigua could be based on calculation of suspended royalties due to the U.S. right holders. One of the possible ways of calculation could be borrowed (and adapted accordingly) from the *US – Section 110 (5) Copyright Act* case arbitration decision, as discussed in the para. 64. Another method based on calculation of suspended royalties will be considered in the Part VI.

82. Another important issue in relation to the suspension of existing copyrights concerns the question whether the copyright term would run during the term of suspension or would it also be suspended and only resume once suspension was complete. For Antigua it would be more advantageous to argue that the term would continue running during the suspension period since the copyright grant has been already attributed before the suspension

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there would be rights that would be more relevant to suspend taking into consideration the size and specificity of the market of Antigua.

period. If Antigua would take the place of the right holder and exercise the rights, the term of protection would continue to run. It would be advisable to include such stipulation into Antigua's future legislation on IP cross retaliation in order to better face the potential challenges from the U.S. copyright holders.

83. It should be noted though that inserting such provision in an Antiguan Statute may make it easier to deal with suits before the Antiguan courts, it would not be a solution before the WTO, where the national laws are subject to compliance with the TRIPS Agreement. However, relevant TRIPS provisions being lawfully suspended (among them the Art. 7 of BC on Term of Protection), it would be hard for the United States to challenge this method of computation of the copyright term employed by Antigua.

84. The existence of concrete mechanisms and feasibility of their application to calculate the level of suspension of copyrights could be considered as a strong argument in favour of suspending existing copyrights and could make this option a viable way of cross retaliation. From an economic perspective, among existing copyrights suspending the most recent copyrights (e.g. concerning movies, songs that recently came out) is likely to be most efficient (i.e. would inflict more "harm" and produce more effect on U.S. right holders). This can be explained by a high demand for recent films or music productions among consumers. However, if the cross-retaliation lasts for two or more years, the suspension only of rights existing prior to the suspension date may lose its attractiveness, especially in relation to the rapidly growing film and music production industry. Thus, to be most effective the suspension should also apply to the products that came into existence after the suspension date, i.e., new copyrights as discussed in the section A.

## **C. Common controversial issues of suspending "new" and "existing" copyrights**

### **1. Nationality**

85. Antigua while implementing IP cross retaliation should assure that the suspension of its obligations, in the present case under the section of copyrights and related rights, must not target nationals of the countries other than those of the US. In the *EC-Bananas* case

arbitrators noted that in relation to all WTO members not involved in its request, Ecuador continued “to be bound by its obligations under the TRIPS Agreement”.<sup>35</sup>

86. One of the potential problems that could arise with the suspension of copyrights is that it is not always easy to distinguish the nationality of the copyright holders. For example, the performers and producers of a single phonogram might not have the same nationality. While hurting the US producer Antigua might also hurt the interests of e.g. a French singer that would lead to unnecessary complications.

87. The problem could also arise in the case of publishing a work by a national of another State in the United States that would be protected under the laws of the both countries. The work could be considered as U.S. work taking into consideration the place of the first publication, and at the same time it would enjoy the protection of another country, by whose national it was created. A similar problem can arise in the case of joint authorship, where the joint authors would be considered as co-owners of the copyright. For example, according to the 2003 Copyright Act of Antigua “*The joint authors of a protected work are the original co-owners of the copyright in that work.*”<sup>36</sup>

88. A problematic situation can also arise in the case of simultaneously published works. “A work shall be considered as having been published simultaneously in several countries if it has been published in two or more countries within thirty days of its first publication.”<sup>37</sup> The same principle applies to the musical recordings. The fact of being published within thirty days in France of the book that had already been published in the United States would extend to it the protection under the French law and any infringement to the U.S. copyright would be considered as an infringement to the French copyright. The simultaneous production of creative works has become popular worldwide exactly with the purpose of providing stronger international protection to copyrighted works.

89. It would seem necessary for Antigua to develop a methodology for determining the nationality of copyright holders before suspending specific copyrights. The question of defining the nationality of the right holders could be simplified through the collective management organizations (CMOs). CMOs can take different forms, but the general rule is that the organization is owned, managed and controlled by rights holders of the territory in which it operates. Owners of rights authorize CMOs to administer their rights, that is, to

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<sup>35</sup> Para. 147, *European Communities – Regime for the Importation, Sale and Distribution of Bananas*, WT/DS27/ARB/ECU.

<sup>36</sup> Part IV, 22. p.30

<sup>37</sup> Art.3 (4) of the Berne Convention for the Protection of Literary and Artistic Works.

monitor the use of the works concerned, negotiate with prospective users, give them licenses against appropriate fees, collect such fees and distribute them among the owners of rights. Thus, these organizations maintain the closest cooperation with the right holders and could possess all the necessary information about them, including the nationality.

## 2. Territoriality

90. One of the most controversial issues arising in the context of IP retaliation or cross retaliation is the issue of territorial scope of an authorization to suspend concessions. According to the widespread position a withdrawal of TRIPS obligations is limited to the territory of the retaliating country, and imports into other countries where the products are IP protected are in principle infringing. This position is based on the assumption that as obligations to protect IP remain valid and unaffected by the suspension in all other WTO Members, products or services based on the suspension of IP protection in general cannot be traded with any other WTO Member where the goods or services in question qualify for protection.<sup>38</sup>

91. As a support to this limitation the advocates of this approach often resort to the arbitration award in the *EC – Bananas III*. The arbitrators there stressed that “an authorization by the DSB for Ecuador to suspend certain TRIPS obligations would concern Ecuador only. Such authorization does not exonerate any other WTO Members from abiding by its WTO obligations, including those under the TRIPS Agreement.”<sup>39</sup>

92. Moreover, in respect to IP goods produced under suspension in Ecuador the arbitrators assumed an obligation for all other WTO members under Art.51 of the TRIPS Agreement to prevent such imports as they would be considered as made without the consent of the right holder.<sup>40</sup> Article 51 TRIPS concerns IP enforcement obligations regarding

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<sup>38</sup> Ruse-Khan, H. “A Pirate of the Caribbean? The Attractions of Suspending TRIPS Obligations.” *Journal of International Economic Law* 11, No.2 (2008), p. 348.

<sup>39</sup> Para. 156, *EC- Bananas III* (Ecuador)(Article 22.6). See also Article 51 of TRIPS which provides that “members shall adopt procedures to enable a right holder who had valid grounds for suspecting that the importation of counterfeit trade or pirated copyright goods may take place” to request customs authorities to suspend release into free circulation of such goods.

<sup>40</sup> *Ibid*, para. 155: “We note that, as a result of an authorization by the DSB of Ecuador’s request to suspend Article 14 of the TRIPS Agreement, phonograms would be produced in Ecuador consistent with WTO law. However, such phonograms would still be copies made without the consent of the right holder or a person duly authorized by the right holder in the country of production. Pursuant to footnote 13 to Article 51,199 WTO Members are under no obligation to apply procedures concerning ‘special requirements related to border

(provisional) border measures to stop imports of ‘counterfeit trademark goods’ and ‘pirated copyright goods’, the latter standing for “any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation.”<sup>41</sup>

93. Several counterarguments could be made regarding this approach. First, the works produced by Antigua under cross retaliation could not be called “pirated” as they would be produced under a WTO legally authorized IP suspension regime. One could argue that they could be considered as “pirated” taking into consideration the definition of the “pirated copyright goods” in the TRIPS Agreement quoted in the previous paragraph, as they would be produced without the consent of U.S. right holders. However, if these goods would not remain in the public domain in Antigua and, instead, the Antiguan government would take the place of the right holder and start distributing licenses for the subsequent use of those suspended copyrights, it cannot be said that such products are produced without the consent of the right holder. Thus, Antigua by becoming a right holder of the suspended copyrights and giving its consent to use them to produce certain goods would discard grounds for calling them “pirated”.

94. Second, neither in the TRIPS agreement there is any explicit prohibition to export works generated in the country under the terms of suspension lawfully authorized by the DSB, nor in the *EC-Bananas* arbitration decision there was any statement forbidding Ecuador to export copyright suspended products. Thus, Antigua is free to legally export such works. However, if any country cannot import such goods the possibility of exportation does not add much value. It should be noticed that taking into consideration a very modest size of Antigua’s market the exportation of suspended copyright goods can play an important role in inflicting a substantial economic loss to U.S. right holders and thus, push the United States to comply.

95. A possible solution to the *EC-Bananas* arbitration decision restricting the import of the goods under suspension could be the export to the countries whose national legislation would rely on the doctrine of *international exhaustion* of IP rights. One of the current

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measures’ to imports of goods put on the market in another country by or with the consent of the right holder. However, with respect to phonograms produced in Ecuador without the consent of the right holder, but consistent with an authorization by the DSB under Article 22.7 of the DSU, the obligations of Article 51 of the TRIPS Agreement to apply such procedures would remain in force for all WTO Members.”

interpretations of this doctrine provides that a first sale or other form of authorized distribution of a product in one country legalizes the resale in another country – even if the product is generally under IP protection in the latter country. Article 6 TRIPS, as confirmed by paras. 5 (d) of the Doha Declaration on the TRIPS Agreement and Public Health ensures that domestic policies on (international) exhaustion cannot be challenged under the WTO dispute settlement system.<sup>42</sup> In practice it would mean that if Antigua as a right holder exercises some of the suspended rights, e.g. makes a reproduction of CDs and starts selling them, the countries, which follow international exhaustion doctrine, could import these CDs, copy and resell them, even if a U.S. right holder keeps an equivalent or “parallel” rights in these countries.

96. While there is no doubt that the above-mentioned provisions permit the countries to establish their own exhaustion regime (national, regional or international), a controversy exists on the interpretation of the (international) exhaustion doctrine itself: whether exhaustion takes place only with respect to goods placed on the market with the ‘consent’ of the IPR holder, or whether lawful government action may also establish the basis for international exhaustion.<sup>43</sup>

97. Though there is a strong tendency to consider that consent of the IPR holder is the only acceptable basis for international exhaustion, nothing seems to prevent an importing country to follow the ‘lawfully placed on the market’ approach to exhaustion that does not require consent of the IP holder, and thus, to import the goods produced under IP suspension regime abroad. The Article 6 could be interpreted as covering such approach.<sup>44</sup> However, the importing country has to make relevant provisions in its national legislation. For example, the Australian Government on 27 June 2000 announced that it will amend the Copyright Act 1968 to allow for parallel importation of *legitimately* produced books, periodicals, printed music, and software products including computer-based games. When implemented, this

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<sup>41</sup> footnote No.14 (b) to the Art. 51 of the TRIPS Agreement.

<sup>42</sup> Ruse – Khan, H. “A Pirate of the Caribbean? The Attractions of Suspending TRIPS Obligations”, see above note 17, p. 354. Para. 5(d) of the Doha Declaration provides: “The effect of the provisions in the TRIPS Agreement that are relevant to the exhaustion of IP rights is to leave each Member free to establish its own regime for such exhaustion without challenge, subject to the MFN and national treatment provisions of Articles 3 and 4.”

<sup>43</sup> Abbott, F. “Cross – Retaliation in TRIPS: Issues of Law and Practice.” In *The Law, Economics and Politics of Trade Retaliation in WTO Dispute Settlement*, ed.by Bown, Chad and Joost Pauwelyn. Cambridge University Press (forthcoming 2009), p. 26

<sup>44</sup> Moreover, earlier versions of Article 6 TRIPS included an explicit limitation which required the goods to be placed on the market ‘by or with the consent of the right holder’. The fact that this has been removed could indicate the drafters’ intent not to impose this limitation. See the argument developed by H.Ruse-Khan in “A Pirate of the Caribbean? The Attractions of Suspending TRIPS Obligations”, p. 356.

decision will make these products available to consumers as soon as they are released anywhere in the world.<sup>45</sup>

98. However, this difference in interpretation of international exhaustion would not play a major role if Antigua takes the place of the right holder, and the products, consequently, would be placed on the market with its “consent”. Antigua would have simply to make a list of countries adhering to *international exhaustion* and establish trade partnership with these countries to be able to export the goods produced under suspension. Among the countries following international exhaustion could be stated Australia, New Zealand, Japan, Singapore, and Switzerland (this list is not complete).

99. If Antigua decides to export the goods produced under the suspension, it should ensure that any profits made out of the sales by Antiguan manufacturers (domestically and abroad) would be used to calculate the “losses” to the United States, and thus the equivalence between the level of suspension and the level of nullification and impairment.

## V. SUSPENSION OF ENFORCEMENT OF COPYRIGHTS

### A. Legal feasibility of suspending enforcement provisions

100. As explained before, Antigua did not officially request to suspend obligations and concessions under TRIPS, Part III (i.e. enforcement sector). Following Antigua’s recourse to Article 22.2 of the DSU, the Arbitration award determined that “**Antigua may request authorization from the DSB, to suspend the obligations under the TRIPS Agreement mentioned in paragraph 5.6 above...**”<sup>46</sup> In this paragraph 5.6, Part III of TRIPS (i.e. enforcement sector) is not specifically mentioned.

101. It is, however, a requirement for Antigua to specify in the request, the agreement and sector(s) under which it intends to cross retaliate. “This basic information is required in order to assess whether the legal requirements regarding the permissible magnitude and form of retaliation have been complied with. [...]Requests to suspend obligations in sectors/agreements that are not specifically set out in the initial request for authorisation to

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<sup>45</sup> “Resource Book on TRIPS and Development.” UNCTAD – ICTSD. Cambridge Univ.Press, 2005, p.111

<sup>46</sup> Ibid. p.78 para. 6.1

retaliate [...] and measures that are not mentioned in the initial request for authorisation to retaliate are outside the terms of reference.”<sup>47</sup>

102. Indeed, as the arbitration panel explained in the *EC-Bananas III* case, “a request for arbitration under Article 22.6 defines the terms of reference of the Arbitrators.”<sup>48</sup> More importantly, it stated that it considers “that the terms of reference of arbitrators, acting pursuant to Article 22.6, are limited to those sector(s) and/or agreement(s) with respect to which suspension is specifically being requested from the DSB.”<sup>49</sup>

### **B. If there are no rights per se to protect: Part III is not triggered**

103. The first possibility for Antigua is to argue that if there are no rights to be enforced in the first place; Part III of the TRIPS is not triggered. This way seems to be the most efficient way to respond to the United States and to secure the results of cross retaliation in Antigua. The possibility for Antigua would be to argue that as there are no legal right to protect anymore (i.e. the new or existing copyright grants are suspended) therefore no enforcement provisions may be triggered (and Part III of the TRIPS or enforcement part of Antiguan Copyright Act of 2003 are not relevant anymore). Indeed for the TRIPS enforcement to be triggered, there first need to be a right to be enforced in the first place.

104. IP rights are private rights indeed, but they are granted by the State, in the sense that it has the obligation to recognise them (and even to protect them) because it signed a treaty (e.g. the Berne Convention, the TRIPS agreement) on such matter. IP rights are not human rights in the sense that they are inherent to the human person. In the case of suspension of copyright grants, the intellectual property right has not been granted, or has been but, then immediately suspended (depending on whether it is suspension of new or existing copyright grants), so in that case, there are no rights to be enforced in the first place.

105. If suspension of copyrights is implemented in Antigua, it means de facto that copyrights of U.S. nationals are not protected anymore. Therefore a U.S. national could go before an Antiguan court but because of the legal suspension of copyright protection, they would not be able to enforce their right before a court and get a remedy. Or they could go to the customs authorities and ask for seizure of alleged infringing copies for instance, but they

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<sup>47</sup> See Thomas Sebastian in *The Law of permissible WTO retaliation*, p.6 and 8.

<sup>48</sup> *EC-Bananas III (Ecuador) (Article 22.6)* para. 20

<sup>49</sup> *Ibid.* para. 29

would not have a right to do that anymore, because this right would have been suspended in the first place.

### **C. Possible challenge by the United States**

106. Antigua would have to be very careful enacting its piece of legislation that would allow for cross retaliation according to DSB authorisation, and pay particular attention to the way it would formulate its act. Because if they mention suspension of obligations related to enforcement of copyrights (or other IP rights), the United States may argue that a suspended right may nevertheless be enforced (as Part III of the TRIPS).

107. They may go to the DSB and file a complaint on the basis that Antigua suspended obligations from a sector that was outside the terms of reference of the initial request for cross retaliation.

108. A possible solution for Antigua could be to file a concurrent request for cross retaliation under the enforcement sector. Indeed formal authorization is limited to part II and the United States could technically contest once again. This procedure would probably be pure formality as Antigua already got the authorization to cross retaliate under the TRIPS Agreement. This would mean still that Antigua would have to go through the whole process again by filling another request for cross retaliation.

### **D. Berne Convention**

109. But there is also another possibility for Antigua to respond to US challenge: Antigua may argue indeed that it suspended enforcement under the Berne Convention.

110. Antigua said it intends to suspend several sections of Part II of the TRIPS agreement. Among them, we are looking at the copyright section. Article 9(1) of the copyright section of the TRIPS incorporates articles 1 to 21 of the Berne Convention. Articles 15 and 16 of the Berne Convention deal with enforcement of the protected rights of the Convention. Article 15 provides for certain presumptions on who may institute infringement proceedings. Article 16 includes a provision on seizure of infringing copies. Those two articles are not as developed and detailed as TRIPS provisions on enforcement, but they may nevertheless be enough to allow Antigua to legally suspend enforcement.

111. On the other hand some issues may arise if Antigua suspended enforcement as a suspension of concrete rights (under Berne Convention) incorporated into TRIPS article 9(1). The first concerns duration and the second one is about unauthorised use. There are 2 possibilities that are mentioned by F. Abbott with regard to suspending enforcement: the suspension of IP right holders to initiate enforcement proceedings during pendency of the suspension, and the other one is the suspension of rights to initiate proceedings subsequent to the suspension with respect to activities that had taken place during the suspension.<sup>50</sup>

112. The second possibility mentioned above may raise issues of duration. Indeed, when would the suspension of initiating proceedings end in that case? If no clear period is defined, the United States may find there is a basis for challenge under article 22.8 of the DSU which clearly states that suspension of obligations or concessions is temporary and shall stop as soon as the other State complied. This could be solved with a piece of law enacted in Antiguan domestic legislation.

113. Suspending some provisions on enforcement may have a great impact on the development of unauthorised use or distribution of the products. This could become an issue for Antigua if the United States argues that cross retaliation has gone over the level of nullification and impairment. This could also become an issue for Antigua, when the suspension is over because they may face development of rampant unauthorised use on a public scale. And they may face political pressure to put an end to it. They may even be challenged by the United States because the countermeasure taken by Antigua would not be temporary de facto.

114. In other words, if we go back to the analysis of suspension of new copyright grants and suspension of existing one, we see that as soon as the copyright grant is suspended, the product will fall into the public domain for Antigua. If the government does not take the place of the right holder (e.g. through a mechanism of compulsory licensing for instance), it may face development of unauthorised use or distribution that may be difficult to control and even to stop, when suspension will be over.

115. In the case of suspension of enforcement, but mostly if it was formally Part III of the TRIPS agreement that was suspended, there may be an issue regarding the valuation of obligations' level of suspension. This is not really central here, but we may mention that one

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<sup>50</sup> See Abbott, "Cross-retaliation in Trips: Issues of Law and practice." His analysis however concerned suspension of enforcement under the TRIPS, that is to say, under Part III as a sector.

possibility to address valuation could be found in the amount of the financial compensation that would be ordered by the domestic courts.

## VI. PRACTICAL MODELS

### **A. Enactment of a domestic piece of legislation allowing for suspension of WTO obligations.**<sup>51</sup>

116. In any case, Antiguan authority would have to adopt an act, or enact a regulation that would allow for suspension of WTO obligations in cases of retaliation or cross retaliation, provided that there was authorization from the DSB. Such an act would be central for the legal feasibility of cross retaliation. Indeed it would provide the legal basis therefore.

117. Generally speaking, the piece of legislation would have to state that the cross retaliation is based on the authorisation by the WTO (DSB), and that the act will take into account the final arbitration award authorising the cross retaliation (i.e. under article 22.6 of the DSU). This is important particularly if Antigua files another request for cross retaliation under another sector (e.g. another section of Part II or Part III of the TRIPS on enforcement), then the act should mention that it will be this final authorisation that will be considered.

118. The act should also clearly state that the suspension of the IP rights will be effective only for the time of suspension, that is to say from the date of commencement till the date of removal of inconsistent law by the defaulting state or until both states settle their dispute. And that after that period, IP rights will be protected and recognised again.

119. Bearing in mind the discussion on State taking the place of the right holder, Antigua should enact a regulation stating that it claims for itself the right to produce or distribute for instance, a new or existing creative work.

120. The act should also state that the designated authority will issue a list of the intellectual property rights that are to be suspended and the order of the suspension. In our

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<sup>51</sup> This proposition was developed by Shamnad Basheer in his article "Turning TRIPS on its head: an IP cross retaliation model". Basheer would propose to call this act "The TRIPS Suspension Act". In his proposition he described the general content that such an act should have, but his proposition was based on the models he

case, the designated authority should specify that the suspension will be first implemented for existing copyright grants, and state the general way of valuation. Indeed, the arbitrator recalled the importance for the whole process to be transparent<sup>52</sup>.

121. Concerning the issue of nationality<sup>53</sup> and the possibility for a national of the defaulting state to transfer its IP right to another person so that it can be protected in Antigua, S. Basheer interestingly proposes that “the law ought to clearly state that the ownership of any “suspended IP right” cannot be transferred. If cross-retaliation becomes a credible threat, an IP owner from the defaulting state (such as the USA) may have the IP transferred in the name of one of its subsidiaries in another country. Therefore, any transfers of IP ownership ought to be prohibited, starting from the date when the member state obtains a favourable order from the WTO stating that the defaulting state is in breach of a WTO commitment”.

122. There may also be provisions on other treaties that are dealing with IP rights (i.e. the Berne Convention and the Rome Convention) to which Antigua would be a party.

### **B. Create a website with a server in Antigua**

123. Creating a website with a server in Antigua could be an effective method to induce compliance by the United States. Antigua could offer digital copies of U.S. movies, music, video games and computer software for *download* at quite low prices over the internet what could potentially allow worldwide availability of these works.<sup>54</sup> Antigua may benefit more by proposing the most recent movies, music, video games and computer software. The more recent they would be, the bigger impact it would have and more money Antigua would gain.

124. This model would inflict substantial harm to the U.S. copyright holders who may eventually lobby the U.S. government to comply, because the method could increase the number of potential users while avoiding the limitations of a small domestic market. A modest fee that users would pay to download the files would help reaching the level of

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proposed before (in his article). Our proposition will therefore be more general and based on the models developed in this paper.

<sup>52</sup> WT/DS285/ARB, p.77 para. 5.10 “At the same time, it is important that the form that is chosen in order to enact the suspension is such as to ensure that equivalence can and will be respected in the application of the suspension, once authorized. The form should also be transparent, so as to allow an assessment of whether the level of suspension does not exceed the level of nullification.”

<sup>53</sup> Only the nationals of the defaulting state may be targeted by the measures of cross retaliation. This was clearly pointed out in the case of EC-Bananas III.

impairment and nullification and at the same time increase potential gains of Antigua by attracting new users.

125. The implementation of this model would depend on the approach followed by Antigua on the issue of territoriality. If Antigua decides to avoid the “territoriality” debates, it would have to effectively control the nationality of the users before they could download the material by placing geographical restrictions on access and downloads<sup>55</sup>.

126. By placing geographical limitations, Antigua would avoid a potential challenge from the United States. However, it would induce less compliance, as the market theoretically would be limited to Antigua, non-WTO members and countries having adopted the “international exhaustion doctrine”, which is quite a restricted list. Moreover, Antigua could make access to the website depending on the filling of a questionnaire, in order to limit the use of the website to Antiguan citizens<sup>56</sup>. Also, Antigua could warn visitors that the use of the website is limited to Antiguan citizens and is illegal for visitors whose nationality is not in the list<sup>57</sup>.

127. If we consider that the principle of territoriality does not constitute an obligation for Antigua (in the sense that Antigua is free to export the products created under suspension leaving the decision to the third countries whether they could legally import such goods)<sup>58</sup> there would be no need for Antigua to place geographical restrictions on the website. A simple warning on the website that downloads are destined for the use of Antiguan citizens, could be sufficient.

128. Another effective way for Antigua to implement the web-model would be to create a website with a server in Antigua offering to users the possibility to watch the U.S. movies, play U.S. videogames or listen to the U.S. music in *streaming*<sup>59</sup>. *Streaming* is a way of transferring video or audio data without copying them on the hard disc of the receiving computer. Thus, no copy would be made on the computer of a user willing to watch a movie for instance. Anyone could use the website and watch movie or listen to music in *streaming*

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<sup>54</sup> The model is proposed by H. Ruse-Khan in his article “A Pirate of the Caribbean? The Attractions of Suspending TRIPS Obligations”, above note 17, p.358

<sup>55</sup> *Download* means to copy a file on the hard disc of the receiving computer. It could be considered as an unauthorized copy outside of Antigua and Barbuda except those countries that apply “international exhaustion doctrine”. Antigua and Barbuda could use DRM systems as the one used by iTunes (etc.).

<sup>56</sup> Antigua and Barbuda could create a form where users would have to pledge that they are Antiguan citizens, before being able to access the copyrighted works.

<sup>57</sup> Antigua and Barbuda would make a list of all the “authorized” countries, including not WTO members and countries having adopted the “exhaustion doctrine”.

<sup>58</sup> See the discussion in the Part I (C) of the memorandum.

from any country of the world, without it to be violating the principle of territoriality<sup>60</sup> and without being perceived as an unauthorized copy of a U.S. copyrighted work.

129. This solution could be legally feasible, as Antigua is not part to the WIPO Copyright Treaty (WCT) and the WIPO Phonograms and Performances Treaty (WPPT), which are the treaties considering the protection of intellectual property rights, including copyrights, on digital media, such as the internet.

130. However, it would be advisable for Antigua to verify its official position on *streaming* in its national legislation since depending on national legislation, *streaming* could be considered as copying<sup>61</sup>.

131. In order not to be challenged by the United States for violating international treaties, Antigua would have to make sure that *streaming* would not be contrary to its international obligations, with regard to the provisions on communication by wire means, communication by wireless means and communication to the public, as specified in the Berne Convention (e.g. Articles 11<sup>62</sup> and 11bis<sup>63</sup>). Thus, the United States may challenge the suspension of specific articles of the Berne Convention by Antigua, as being violation of Antigua's other international obligations. The United States may argue that the fact that TRIPS refers to Berne Convention does not mean that Antigua could stop respecting its obligations under the Berne Convention as a separate treaty. This debate on the relations between Antigua's international obligations under TRIPS and Berne Convention will be considered in the Part VII of the memorandum.

132. One of the difficulties that may arise in applying this model would be the question of the control of the extent of distribution and the equivalence between the level of suspension with the level of nullification and impairment. Antigua would need to install quite a sophisticated system to control the number of downloads and/or streaming. Antigua would have to find and place an economic value to each streaming and download.

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<sup>59</sup> *Streaming* is a way of transferring video or audio data such that it can be processed as a steady and continuous stream, by opposition to *downloading*, which copies a file on the hard disc of the receiving computer.

<sup>60</sup> See the debate on the principle of territoriality above, Part IV, Section C, subsection 2.

<sup>61</sup> In theory, *streaming* could be considered as *downloading*, as the video or audio data transferred temporary use the computer memory

<sup>62</sup> Berne Convention, Article 11(1) "*Authors of dramatic, dramatico-musical and musical works shall enjoy the exclusive right of authorizing: (i) the public performance of their works, including such public performance by any means or process; (ii) any communication to the public of the performance of their works*".

<sup>63</sup> Berne Convention, Article 11bis(1) "*Authors of literary and artistic works shall enjoy the exclusive right of authorizing: (i) the broadcasting of their works or the communication thereof to the public by any other means of wireless diffusion of signs, sounds or images; (ii) any communication to the public by wire or by rebroadcasting of the broadcast of the work, when this communication is made by an organization other than the original one*".

### **C. Suspend the payments of the royalties to the IP rights holders**

133. Another potential model would be freezing the transfer of royalty fees to the US right holders. It could comprise the diversion from the collecting societies of the royalties, which are destined to the US IP right holders to the Antiguan government up to the level of nullification. The copyright holder would still have all their rights but they wouldn't have any financial benefits from them.

134. This model could facilitate the calculation of the level of suspension, as the amount of impairment and nullification would be computed in accordance with the royalty rates normally applicable by the collecting societies, for copyrighted works for which licensing rates exist.

135. Such method of calculation is less likely to be challenged by the USA, as it would be based on official royalty rates. Another advantage of this option is that Antigua could have a financial profit while reaching the level of nullification and impairment.

136. At the same time, this option may appear inefficient in terms of reaching the level of impairment and nullification as the Antiguan market is a small market, meaning that amount of sales of the copyrighted products may not be sufficient.

137. Moreover, the US IP right holders would, probably, stop to distribute and market their products in Antigua once they are aware that they would not benefit from the royalties. In this case the Antiguan government may have to take the place of the right holder. By directly granting licenses for copyrights and related rights (except "derivative rights") the Antiguan government would avoid the collecting societies' issue.

### **D. Grant licenses on a free basis**

138. The granting of licenses seems to be an appropriate mechanism for retaliation. It may target the correct products, avoiding the problem of nationality, and it facilitates transparency in the calculation of the level of suspension, by controlling the distribution of copies. It would affect the IP holder rights, by granting authorizations to Antiguan to copy, reproduce and broadcast copyrighted works for free.

139. Antigua would distribute a certain number of licenses allowing for a certain number of copies, which would facilitate the calculation and control of the amount of the

impairment and nullification. It could be stopped quickly in case of compliance of the USA or of the reach of the level of nullification and impairment by the withdrawal of the licenses.

140. It would be a really efficient way of cross-retaliation as the cost of replicating CDs or DVDs carrying copyrighted contents (movies, music and software) is minimal. This model would not need any investment from Antigua.

141. This model would permit a control of the amount of copies done, as without the Antigua's license authorization, copying, reproducing or selling infringed copies of copyrighted works would remain illegal, and susceptible of enforcement.

142. However, the Government of Antigua might want to structure the licenses in such a way as to limit certain further kinds of activities that go beyond simple reproduction, such as adaptation and production of derivative works, which may last beyond the lifetime of the suspension and would be difficult to manage. One of the possible controversial issues that may arise in this context is whether a derivative work produced on the basis of the suspended product would be subjected to the collection of royalties once the suspension term comes to an end.

## VII. POTENTIAL CONFLICTS BETWEEN THE BERNE CONVENTION AND THE WTO DSB DECISION AND COUNTER ARGUMENTS

### **A. Conflict between the Berne Convention and the WTO DSB decision**

143. Although the DSB of US-Gambling case granted Antigua a right to cross-retaliate under the TRIPS Agreement against the United States, a question may arise whether the WTO DSB decision can authorize WTO Member States to derogate from their parallel obligations under the Berne Convention which is administered by the different international organization, WIPO. Antigua can exercise its right to suspend copyright protection under the WTO system, but it is hard to distinguish whether Antigua could suspend copyright protection, what is authorized under the TRIPS Agreement by the DSB or if it could also suspend obligations of the Berne Convention, the TRIPS Agreement incorporating Articles 1 through 21 of the Berne Convention (1971) and its appendix.

144. Indeed, despite the fact that such suspensions are allowed under the WTO, Antigua might nevertheless be in violation of the WIPO-administered Berne Convention if it suspended copyright protection for U.S. goods. Thus, some could consider that "*since both parties are parties*

to the Berne Convention, if they, under some other convention, start not granting protections to each other, then they will infringe the Berne Convention,” since “the Convention is, nevertheless, considered a legal obligation on signatories, even if the means of enforcement are limited<sup>64</sup>.” However, the general opinion<sup>65</sup> is that there is a possibility to breach the Berne Convention by suspending copyright protection for the U.S. goods. In such a case, the United States could bring Antigua into International Court of Justice (ICJ), another international dispute settlement forum, as Article 33.1 of the Berne Convention states:

*“any dispute between two or more countries of the Union concerning the interpretation or application of this Convention...may be... brought before the International Court of Justice.”*

### **B. The principle of *lex posterior derogate priori* as a legal justification to resolve the conflict between the Berne Convention and the WTO DSB decision**

145. Article 3.2 of the DSU<sup>66</sup> explicitly clarifies that the dispute settlement system of the WTO “serves to...clarify the existing provisions of those agreements in accordance with customary rules of interpretation of public international law.”

146. The Vienna Convention on the Law of Treaties (hereinafter the VCLT) is broadly seen as crystallizing customary rules for treaty interpretation in general, and also for the WTO treaty interpretation since the Appellate Body of US-Gasoline case already made clear that the VCLT represents the ‘customary rules of interpretation of public international law’ which Article 3.2 of the DSU requires panels and the Appellate Body to apply.<sup>67</sup> Therefore, the VCLT shall be taken into account when it comes to interpret the WTO treaty provisions to satisfy Article 3.2 of the DSU.

147. Article 30 of the VCLT can play a key role in resolving potential conflicts between the Berne Convention and the WTO DSB decision. This article relates application of successive

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<sup>64</sup> Jorgen Blomqvist, director of the Copyright Law Division of WIPO, in an interview with *Antigua Sun*.

<sup>65</sup> This is the official standing of the WIPO, Bridges Weekly World Trade News, January 23, 2008, Vol. 12, No. 2 (<http://ictsd.net/downloads/bridgesweekly/bridgesweekly12-2.pdf>)

<sup>66</sup> The Dispute Settlement Understanding, Article 3.2 states that : “*The dispute settlement system of the WTO is a central element in providing security and predictability to the multilateral trading system. The Members recognize that it serves to preserve the rights and obligations of Members under the covered agreements, and to clarify the existing provisions of those agreements in accordance with customary rules of interpretation of public international law. Recommendations and rulings of the DSB cannot add to or diminish the rights and obligations provided in the covered agreements.*”

<sup>67</sup> Appellate Body Report, United States – Standards for Reformulated and Conventional Gasoline (US – Gasoline), WT/DS2/AB/R, at 17

treaties what is called the principle of *lex posterior derogate priori* (hereinafter *lex posterior*). It addresses that later treaties supersede earlier treaties.<sup>68</sup>

148. Article 30.3 of the VCLT<sup>69</sup> restraints the application of *lex posterior* to the situation “when all the parties to the earlier treaty are parties also to the later treaty”. However, Article 30.4 of the VCLT concerns more frequent situation “when the parties to the later treaty do not include all the parties to the earlier one”. According to Article 30.4(a) of the VCLT<sup>70</sup>, “the same rule applies as in paragraph 3” when those States are parties to both treaties.

149. However, some parties to the Berne Convention<sup>71</sup> are not parties to the WTO DSU Agreement. Therefore, Article 30.3 of the VCLT could not be applied to the conflict between those two treaties. On the other hand, Article 30.4 of the VCLT could be applied to this case as Antigua is a party of the Berne Convention since March 2000, a Member State of the WTO since January 1995 and the United States is also a party of the Berne Convention since March 1989 and a Member State of the WTO since January 1995.

150. Consequently, the right to cross-retaliate authorized by the WTO DSB supersedes the other obligations under the Berne Convention.<sup>72</sup>

151. Nevertheless, it could be controversial to apply *lex posterior* as a justification for derogation from the Berne Convention. The right to derogate stems from the WTO DSB decision which is the latter treaty, but there is one more condition to be completed with to apply *lex posterior*. Article 30.1 of the VCLT<sup>73</sup> restraints the application of *lex posterior* to a conflict between the provisions of a treaty and of the “successive treaties” “relating to the same subject matter.” While both the Berne Convention and the DSU deal with dispute settlement between contracting members, it is unclear that whether the DSU can be a successive treaty relating to “the same subject matter” due to the lack of specific criteria to determine it. If the DSU can meet the

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<sup>68</sup> Mark Villiger, 2009, *Commentary on the 1969 Vienna Convention on the Law of Treaties*, Martinus Nijhoff publishers, p.400.

<sup>69</sup> The Vienna Convention on the Law of Treaties, Article 30.3 states that : “When all the parties to the earlier treaty are parties also to the later treaty but the earlier treaty is not terminated or suspended in operation under article 59, the earlier treaty applies only to the extent that its provisions are compatible with those of the later treaty.”

<sup>70</sup> *Ibid*, Article 30.4 states that : “When the parties to the later treaty do not include all the parties to the earlier one: (a) as between States Parties to both treaties the same rule applies as in paragraph 3”

<sup>71</sup> Russia for example.

<sup>72</sup> Arvind Subramanian and Jayashree Watal, 2000, “Can TRIPS Serve as an Enforcement Device for Developing Countries in the WTO?”, *Journal of International Economic Law* 3(3), pp.403-416

<sup>73</sup> *Supra* note 69, Article 30.1 states that : “Subject to Article 103 of the Charter of the United Nations, the rights and obligations of States Parties to successive treaties relating to the same subject matter shall be determined in accordance with the following paragraphs.”

condition, it can supersede Article 33.1 of the Berne Convention<sup>74</sup> which recommends dispute settlement before the ICJ as a latter treaty. Otherwise, it is hard to admit the impact of the DSB decision on the Berne Convention. The decision will rely on the interpretation of the Article.

## VIII. CONCLUSION: RECOMMENDATIONS

152. The *US – Gambling* case could serve as an illustrative example and test of merits and limits of “cross-retaliation” as a mechanism to induce compliance in WTO dispute settlement system, specifically from the perspective of developing countries. Cross - agreement retaliation, especially in relation to the TRIPS agreement, could be a very promising area for small or developing economies, if the suspension measures are well tailored and take into consideration legal, economic and administrative specificities of the country undertaking the suspension.

153. In the case of Antigua, suspension of its obligations under such IP area as copyrights and related rights could be considered as a feasible and effective retaliatory measure against the United States, as it would involve the minimum costs for Antiguan economy (in comparison with patents, for example) but at the same time could inflict substantial harm to the U.S. economic interests. However, if Antigua takes a decision to cross- retaliate, we would recommend Antigua to take into account a number of legal nuances to render the retaliatory measures legally feasible. The present memorandum would recommend the following:

- a) To enact a domestic piece of legislation/regulation in order to give effect to the suspension of the authorized obligations under the TRIPS Agreement that would help to reduce uncertainties and legal challenges on the part of the United States.
- b) To achieve the authorized level of suspension in the earliest delay Antigua should suspend both “new” and “existing” copyrights. In the case of “new” copyrights the second model proposed by the memorandum, providing for granting copyrights to the

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<sup>74</sup> The Berne Convention, Article 33.1 states that : “*Any dispute between two or more countries of the Union concerning the interpretation or application of this Convention, not settled by negotiation, may, by any one of the countries concerned, be brought before the International Court of Justice by application in conformity with the Statute of the Court, unless the countries concerned agree on some other method of settlement. The country bringing the dispute before the Court shall inform the International Bureau; the International Bureau shall bring the matter to the attention of the other countries of the Union.*”

U.S. IPR holders and immediately suspending them, seems to be less problematic and more efficient to implement. The difficulties may arise, though, in relation to the calculation of the level of suspension.

c) From the point of view of computation of losses, suspending “existing” copyrights could appear more secure and convenient retaliatory measure. However, to achieve the greatest economic impact the most recent rights are advised to be suspended (e.g. on new films, music recordings, computer software and games). In suspending both “new” and “existing” copyrights, the Government of Antigua is advised to take the place of the IPR holders (stipulated in the national legislation).

d) Antigua should pay special attention to two major problems that could arise together with suspending “new” and “existing” copyrights, the issues of nationality and territoriality. Antigua should assure that only the U.S. copyright holders are targeted. As far as the territorial scope of the cross retaliation measures is concerned, Antigua is free to export suspended goods to the third countries, as no explicit ban on export of the suspended copyright goods could be found in the international jurisprudence or case law. Antigua would be advised to make a separate provision in its future national legislation on this point.

e) The prohibition for the third countries on import of the infringing goods (Art.51 of the TRIPS Agreement) could be avoided if these countries adopt and follow the regime of *international exhaustion*. Antigua should establish a list of the countries adhering to this regime and make relevant trade arrangements with these countries.

f) To attain the maximum effect of its retaliatory measures Antigua could apply all the three models proposed in the memorandum. It should be noted that the model dealing with the creation of a website, from which internet users could download the films, music, videogames produced under the suspended copyrights, could have a bigger impact and potential for inducing compliance.