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THE WTO DISPUTE SETTLEMENT REPORTS

The *Dispute Settlement Reports* of the World Trade Organization (the "WTO") include panel and Appellate Body reports, as well as arbitration awards, in disputes concerning the rights and obligations of WTO Members under the provisions of the *Marrakesh Agreement Establishing the World Trade Organization*. The *Dispute Settlement Reports* are available in English, French and Spanish. Starting with 1999, the first volume of each year contains a cumulative index of published disputes.

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CANADA - TERM OF PATENT PROTECTION
Report of the Panel

WT/DS170/R

*Adopted by the Dispute Settlement Body
on 12 October 2000
as Upheld by the Appellate Body Report*

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I. INTRODUCTION

1.1 On 6 May 1999, the United States requested consultations with Canada pursuant to Article 4 of the *Understanding on Rules and Procedures Governing the Settlement of Disputes* (the "DSU") and, to the extent that it incorporates by reference Article XXII of the General Agreement on Tariffs and Trade 1994, Article 64 of the *Agreement on Trade-Related Aspects of Intellectual Property Rights* (the "Agreement", "TRIPS" or the "TRIPS Agreement") regarding the term of protection granted to patents that were filed before 1 October 1989 in Canada.¹ The United States and Canada held consultations on 11 June 1999 in Geneva but failed to reach a mutually satisfactory solution to the dispute.

1.2 In a communication dated 15 July 1999, the United States requested the Dispute Settlement Body (the "DSB") to establish a panel under Article 6.2 of the DSU.² Specifically, the United States alleged that the *TRIPS Agreement* requires Members to grant a minimum term of protection to all patents existing as of the date of application of the Agreement and that Canada has been obligated to apply the provisions of the *TRIPS Agreement* since 1 January 1996. The United States alleged that Canada's *Patent Act* provides that the term granted to patents issued on the basis of applications filed before 1 October 1989 is 17 years from the date on which the patent is issued and that granting of such term of protection is inconsistent with Canada's obligations under Articles 33 and 70 of the *TRIPS Agreement*.

1.3 At its meeting on 22 September 1999, the DSB established a Panel in accordance with Article 6 of the DSU with the following standard terms of reference:

"To examine, in light of the relevant provisions of the covered agreements cited by the United States in document WT/DS170/2, the matter referred to the DSB by the United States in that document and to make such findings as will assist the DSB in making the recommendations or in giving the rulings provided for in those agreements."³

1.4 On 13 October 1999, the United States made a request, pursuant to paragraph 7 of Article 8 of the DSU, to the Director-General to determine the composition of the Panel. On 22 October 1999, the Director-General composed the Panel as follows:

Chairman: Mr. Stuart Harbinson
Members: Mr. Sergio Escudero
 Mr. Alberto Heimler

¹ WT/DS170/1; IP/D17, 10 May 1999.

² WT/DS170/2, 15 July 1999.

³ WT/DS170/3, 25 October 1999.

1.5 On 22 October 1999, the United States submitted a request for expedited consideration of the dispute under Article 4.9 of the *DSU* on the grounds that premature expiration of patents during the dispute settlement procedure caused irreparable harm to the patent owners. It referred to the alleged simplicity of the issues in dispute, the absence of third parties and other circumstances. At the organizational meeting held on 25 October 1999, the United States offered to file its first submission immediately and requested that Canada be required to file its first submission two weeks thereafter. Canada opposed this request. The Panel indicated that due to other demands on its members' time, it could not accelerate the timetable prior to the first substantive meeting. In response, the United States proposed that each party file both first and rebuttal submissions prior to the first substantive meeting in order to expedite the proceedings. After the meeting, Canada opposed this proposal on the basis that it would not give the parties adequate time to prepare their submissions properly, although it did not object to a timetable which followed the minimum periods suggested in Appendix 3 to the *DSU*. On 29 October 1999 the Panel fixed its timetable based on those minimum periods and undertook to make every effort to issue its report as soon as possible after the second substantive meeting.

1.6 The first substantive meeting of the Panel with the parties took place on 20 December 1999 and the second substantive meeting with the parties took place on 25 January 2000.

1.7 The Panel issued its interim report to the parties on 3 March 2000. On 10 March 2000, both parties submitted written requests for the Panel to review precise aspects of the interim report. On 15 March 2000, Canada submitted a reply to the request submitted by the United States. No further meeting with the Panel was requested.

1.8 The Panel submitted its final report to the parties on 31 March 2000.

II. FACTUAL ASPECTS

2.1 The measure in dispute is Section 45 of Canada's *Patent Act*⁴ which the United States claims is in violation of Articles 33 and 70 of the *TRIPS Agreement*. For the purpose of the context of this dispute, Sections 44 and 45 of Canada's *Patent Act* are reproduced:

"44. Subject to section 46⁵, where an application for a patent is filed under this Act on or after October 1, 1989, the term limited for the duration of the patent is twenty years from the filing date.

⁴ Canadian *Patent Act*, R.S.C., ch. P-4, Section 45 (1985).

⁵ Section 46 states:

- "(1) A patentee of a patent issued by the Patent Office under this Act after the coming into force of this section shall, to maintain the rights accorded by the patent, pay to the Commissioner such fees, in respect of such periods, as may be prescribed.
- (2) Where the fees payable under subsection (1) are not paid within the time provided by the regulations, the term limited for the duration of the patent shall be deemed to have expired at the end of that time."

45. Subject to section 46, the term limited for the duration of every patent issued under this Act on the basis of an application filed before October 1, 1989 is seventeen years from the date on which the patent is issued."

2.2 The substance of Section 45 was, together with a large number of other proposed amendments to the *Patent Act*, first introduced in Parliament on 6 November 1986 in Bill C-22. Although still more commonly referred to as Bill C-22, the Bill was enacted and became law under the title of *An Act to amend the Patent Act and to provide for certain matters in relation thereto*⁶ (variously referred to as "Bill C-22" or the "Bill") on 17 November 1987.

2.3 However, for a variety of reasons associated with the need to devise and draft complementary regulations, to attend to other transitional issues as well as to give the intellectual property community time to adjust to the new system, most of the "modernizing" amendments, including the amendments relating to the term of protection, were not brought into force until 1 October 1989.

2.4 The reference in Sections 44 and 45 to a threshold application date served some of the transitional purposes required to effect the change from a system using a "seventeen year from grant" term to another using a "twenty year from filing" term. It did not, however, provide a mechanism for converting from one system to the other. In light of this fact, Bill C-22 included an additional transitional provision that specified the law that would apply to pre-threshold date applications. The rule was set out in Section 27 of the Bill and provided that:

"27. Applications for patents filed before the coming into force of the provisions of this Act referred to in subsection 33(1) [which included the seventeen year term provision] shall be dealt with and disposed of in accordance with the *Patent Act* as it read immediately before the coming into force of those provisions."⁷

2.5 The law applicable to such applications is generally referred to as the "Old Act". Patents granted on the basis of applications filed before 1 October 1989, whose term is provided for in Section 45, are referred to as "Old Act patents". Patents granted on the basis of applications filed on or after 1 October 1989, whose term is provided for in Section 44, are referred to as "New Act patents".

2.6 During the consultations and proceedings, Canada provided statistics from its Patent Office which the United States did not contest. An examination of the records of the Canadian Patent Office relating to patents issued against applications filed prior to 1 October 1989 and that still existed when the *TRIPS Agreement* took effect in Canada indicates that, as of 1 October 1996⁸, 142,494 or just over 60 per cent of the Old Act patents then in existence (236,431) had terms that would not, assuming

⁶ S.C. 1987, ch. 41, ss. 46, 47. Reproduced in relevant part in Canada Exhibit 3.

⁷ Canada Exhibit 3. Clause 27 of the Bill became Section 27 when enacted as part of the amending Act.

⁸ For reasons related to application filing date data entry problems, the date used for the examination was actually 1 October 1996. However, given the number of patents issued in Canada on an annual basis, Canada is satisfied that the 1 October 1996 statistics are a reliable surrogate for the statistics that would have been applicable on 1 January 1996 had the data been available. See Canada Exhibit 8, paras. 13 and 15.

that annual maintenance fees were paid, expire until, or until well after, the expiry of the 20-year period following their application dates. In a very large number of these cases, the expiry dates will be two to five years after the expiry of the 20-year period.

2.7 As of 1 October 1996, 93,937 or just under 40 per cent of the Old Act patents then in existence had terms that would, assuming the payment of annual maintenance fees, expire in less than the 20-year period measured from their application dates. In 84 per cent of these cases, the patent would expire in the course of the nineteenth year following the application date. In these "nineteenth" year expiry cases, 52 per cent would expire in the last half of the year, while the remaining 32 per cent would expire in the first half.

2.8 A supplementary examination of the records of the Patent Office, but one conducted in relation to Old Act patents which would still be in force on 1 January 2000, revealed a similar result. Thus, of the 169,966 Old Act patents that would, subject to the continued payment of annual maintenance fees, then still be in existence, 103,030 or just over 60 per cent will not expire until, or until well after, the expiry of the 20-year period following their respective application dates.

2.9 Correlatively, 66,936 or just under 40 per cent of the Old Act patents still in force on 1 January 2000 will, again subject to the payment of the annual maintenance fees, expire in less than 20 years measured from their respective application dates. In 77 per cent of these cases, the patent will expire in the course of the nineteenth year following the application date. In these "nineteenth" year expiry cases, 55 per cent will expire in the last half of the year, while the remaining 22 per cent will expire in the first half.

2.10 An examination of the records of the Canadian Patent Office relating to applications filed in Canada on or after 1 October 1989 reveals that, as of 1 November 1999, there have been 285,678 New Act applications filed since the New Act came into force. Of these New Act applications, 125,406 (approximately 43 per cent) have, since filing, requested examination. On average the period between the date of filing and the date of the request for examination for these 125,406 applications has been 27½ months.

2.11 The same exercise, when focussed on patents that have actually been issued against New Act applications, reveals that 40,847 New Act patents have been issued by the Patent Office since the coming into force date of the New Act on 1 October 1989. The average pendency period, namely the period between the application filing date and the date of grant, for this subset of New Act applications which have been processed through to grant has been approximately 60 months, or five years.⁹

⁹ The 60-month total has three components. Its first component involves the period of time between the filing date and the date on which the applicant makes the request and pays the fee for "examination". On average the delay between these two dates has, over the last ten years, been approximately 15 months. Subject to the applicant asking that its application be advanced in the queue and the payment of maintenance fees, the second component involves the time spent waiting in the queue for an available examiner. Over the last ten years, the queue has averaged approximately 24 months. The last component involves the time spent in "examination" itself this period has averaged approximately 20 months.

III. FINDINGS AND RECOMMENDATIONS REQUESTED

3.1 The United States requests that, since a large number of existing Old Act patents expire before 20 years from the date of filing, the Panel find that Canada is in violation of Articles 33 and 70 of the *TRIPS Agreement* and recommend that Canada bring its measures into conformity with its obligations under the *TRIPS Agreement*.

3.2 Canada requests that the Panel find that:

- (i) the term of patent protection available under Section 45 of Canada's *Patent Act* is equivalent or superior to, and is consistent and in conformity with, the term of patent protection described by Article 33;
- (ii) the minimum term of protection described by Article 33 is and has been available, without exception, under the Canadian law and practice relating to Old Act patents;
- (iii) by virtue of paragraph 1 of Article 70, Article 33 does not have retroactive application to patents granted by the Commissioner of Patents prior to 1 January 1996; and,

on the basis of those findings, conclude that Section 45 of Canada's *Patent Act* conforms with its obligations under the *TRIPS Agreement*.

IV. ARGUMENTS OF THE PARTIES

4.1 The arguments of the parties are provided for in their submissions to the Panel (see Attachments 1.1 through 1.7 for the United States and 2.1 through 2.6 for Canada).

V. INTERIM REVIEW

5.1 On 10 March 2000, the United States and Canada requested the Panel to review, in accordance with Article 15.2 of the *DSU*, certain aspects of the interim report that had been transmitted to the parties on 3 March 2000. The United States did not request an Interim Review meeting but reserved the right to make comments on any changes suggested by Canada. Canada requested that it be provided with an opportunity to make written comments on changes proposed by the United States and that in the event such an opportunity to respond in writing not be provided, it reserved its right to request a further meeting with the Panel to discuss the matter at issue.

5.2 We reviewed the comments and arguments presented by the parties and finalized our report, incorporating those comments that we considered justified. To this end, we made a change to paragraph 6.63 to characterize more accurately Canada's argument and paragraph 6.105 to reflect more accurately the relevant Canadian provision. We also made minor typographical and syntactical corrections.

5.3 The United States submits that our finding contained in footnote 48 that actions of six developed country Members to amend their laws to comply with Article 33 of the *TRIPS Agreement* do not constitute "subsequent practice" is incorrect because only seven developed country Members needed to change their laws to provide a term of protection that does not end before 20 years from the date of filing. According to the United States, of those seven Members, six amended their laws and

Canada is the sole exception. The United States reiterates that "other WTO Members did not amend their law for the simple reason that they were already in compliance". The United States argues that, since Canada did not contest these facts, they sufficiently establish "subsequent practice" in the application of the *TRIPS Agreement*.

5.4 Canada agrees with our conclusion but for different reasons. Canada notes that each Member referred to by the United States had a term of protection different from those of Canada. Canada contends that each instance of amendment was an isolated act of the Member responding to the particular factual circumstances prevailing in its own jurisdiction and that the fact that several Members determined that they had a similar, but distinct, need to amend their laws does not change the "isolated act" character of their various legislative responses to the problem. Canada states that several Members doing similar things for dissimilar reasons does not constitute a "practice". Therefore, Canada argues that the fact that other Members amended their laws to comply with Article 33 obligations has no evidentiary relevance or value in making an analogous determination in respect of Canada's term of protection provisions or its alleged need to amend them. Canada adds that the fact that it did not contest the "facts" of amendment and non-amendment says nothing about Canada's position in respect of the conclusion that the United States seeks to draw from the "facts".

5.5 We wish first to emphasize that we did not make a finding that there is no "subsequent practice". Rather, we stated in footnote 48 that there is insufficient evidence before us to make a determination as to whether there is a "concordant, common and consistent" sequence of acts to sufficiently establish a "discernable pattern implying the agreement of the parties" in respect of making available a term of protection as required by Article 33 of the *TRIPS Agreement* on the basis of the practice of only six Members. However, upon further consideration of this matter, we do not consider it necessary to make a finding as to whether there is "subsequent practice" to determine the requirement under Article 33 of the *TRIPS Agreement* and to ascertain whether Section 45 of Canada's *Patent Act* is in conformity with Article 33. We have therefore made the necessary changes in footnote 48 to reflect our view.

VI. FINDINGS

A. Preliminary Matters

1. Issues to be Addressed by the Panel

6.1 In this section, we briefly summarize our understanding of each party's claims and defences.

6.2 The United States challenges Section 45 of Canada's *Patent Act* on the basis that the patent protection term of 17 years from the date of grant for those patent applications that were filed before 1 October 1989 often ends before 20 years from the date of filing. The United States argues that pursuant to Articles 33 and 70.2 of the *TRIPS Agreement*, Canada was obligated to make available a term of protection that does not end before 20 years from the date of filing to all inventions which enjoyed patent protection on 1 January 1996, including those protected by Old Act patents, since inventions enjoying protection under Old Act patents were existing "subject matter" which were protected on the date of application of the *TRIPS Agreement*.

6.3 Canada argues that Section 45 of its *Patent Act* is in conformity with Article 33 of the *TRIPS Agreement*. Canada supports its view that Section 45 is in conformity with Article 33 on the ground that the term of the "exclusive privilege and property rights" available under Section 45 is equivalent or superior to the "exclusive privilege and property rights" conferred by a patent in which the term of protection does not end before 20 years from the date of filing. Canada adds that Section 45 does not require that the term of protection end before the expiry of 20 years from the date of filing.

6.4 In addition, Canada argues that Section 45 did make "available" a term of protection that does not end before 20 years from the date of filing. Canada points out that Old Act applicants could resort to informal or statutory delays to slow down the patent prosecution process so as to obtain a term of protection that does not end before 20 years from the date of filing and that such requests were never denied although the patent examiner and Commissioner of Patents had the discretion not to grant the requested delays.

6.5 Independently from its arguments concerning equivalence and availability, Canada initially argued that since Old Act patents were granted pursuant to an administrative "act" of the Commissioner of Patents, Canada was not required to provide *TRIPS* obligations pursuant to Article 70.1. Canada later states that its interpretation of Article 70.1 to exclude Old Act patents from the obligations under Article 33 did not mean that other obligations such as those set out in Articles 28 and 31(h) of the *TRIPS Agreement* did not apply to patentable "subject matter" as the term is used in Article 70.2.

6.6 We deduce from the arguments of the parties that this dispute only concerns those Canadian patents that fulfil all of the following criteria:

- (i) patents for which applications were filed before 1 October 1989;
- (ii) Old Act patents which were granted less than three years after the date of filing the application. This necessarily excludes all Old Act patents granted after 1 October 1992; and
- (iii) Old Act patents which were in force on 1 January 1996, the date of application of the *TRIPS Agreement* in Canada, and which are still in force. This necessarily excludes all patents granted before 1 January 1979, as their maximum 17-year term would have expired.

This dispute does not concern Old Act applications pending on the date of application of the *TRIPS Agreement* in Canada as these would not fulfil criterion (b).

6.7 Based on the claims and defences raised by the parties, we will address the substantive issues in the following order:

- (i) first, we will consider whether there is an obligation to apply the rules of the *TRIPS Agreement* to inventions protected by Old Act patents. This first hinges on the question whether existing "subject matter...which is protected", as the expression is used in Article 70.2 of the *TRIPS Agreement*, includes inventions protected by Old Act patents that were in force on the date of application of the *TRIPS Agreement* in Canada. Subsequently, we evaluate Canada's argument that Article 70.1, not Article 70.2, is the relevant provision and, even if Article 70.2 does generally apply, that Canada is not required to apply the obligation set out in Article 33 to such Old Act patents; and

- (ii) we will then consider whether Section 45 of Canada's *Patent Act* is in conformity with Article 33 of the *TRIPS Agreement* and evaluate Canada's arguments that it is in conformity, first on the basis that the terms of "effective" protection or "exclusive privilege and property rights" made available under Section 45 is equivalent or superior to the term of protection available under Article 33, and second on the basis that it makes "available" a term of protection that does not end before 20 years from the date of filing.

2. *Burden of Proof*

6.8 Before reviewing the substantive issues, we need to address the issue of burden of proof, as Canada argued that the United States was required to establish a *prima facie* case that Article 70.2 applied to the "acts" of filing an application and issuing patents that occurred before the date of application of the *TRIPS Agreement*.¹⁰

6.9 The Appellate Body stated in *United States—Measures Affecting Imports of Woven Wool Shirts and Blouses from India* that:

"...the burden of proof rests upon the party, whether complaining or defending, who asserts the affirmative of a particular claim or defence. If that party adduces evidence sufficient to raise a presumption that what is claimed is true, the burden then shifts to the other party, who will fail unless it adduces sufficient evidence to rebut the presumption."¹¹

6.10 Pursuant to the rule established by the Appellate Body, the initial burden lies with the United States to establish a *prima facie* case of inconsistency with a particular provision of the *TRIPS Agreement* by adducing sufficient evidence to raise a presumption that its claims are true. Upon establishing a *prima facie* case of inconsistency, the burden shifts to Canada which must refute the claim of inconsistency. Our analysis of the issues before us is based on this approach.

6.11 Canada also refers to Article 28 of the *Vienna Convention on the Law of Treaties* (the "*Vienna Convention*")¹² under which there is a codified presumption against the retroactive application of treaty obligations which applies "unless a different intention appears from the treaty or is otherwise established". Canada contends that the United States has the burden of proving such a different intention with respect to its interpretation of Article 70. Canada's contention first requires a finding that Article 70 has retroactive application, which we will consider below.

¹⁰ Canada's First Submission, para. 128; Canada's Response to Panel Question 23.

¹¹ Appellate Body Report, *United States - Measure Affecting Imports of Woven Wool Shirts and Blouses from India*, WT/DS33/AB/R, adopted 23 May 1997, DSR 1997:I, 323, at 335.

¹² *Vienna Convention on the Law of Treaties*, done at Vienna, 23 May 1969, 1155 U.N.T.S. 331; (1969) 8 International Legal Materials 679.

3. Rules of Interpretation

6.12 Along with agreements governing trade in goods and services, protection of intellectual property rights as encapsulated in the *TRIPS Agreement* constitutes an integral part of the *Marrakesh Agreement Establishing the World Trade Organization* (the "WTO Agreement"). As such, the *TRIPS Agreement* is one of the "covered agreements" and is therefore subject to the *DSU*.¹³ Article 3.2 of the *DSU* provides that panels are to clarify the provisions of "covered agreements" in accordance with customary rules of interpretation of public international law.

6.13 In *United States — Standards for Reformulated and Conventional Gasoline* ("*United States - Gasoline*"), the Appellate Body stated that the fundamental rule of treaty interpretation as set out in Articles 31 and 32 of the *Vienna Convention* had "attained the status of a rule of customary or general international law".¹⁴ Pursuant to Article 31(1) of the *Vienna Convention*, the duty of a treaty interpreter is to determine the meaning of a term in accordance with the ordinary meaning to be given to the term in its context and in light of its object and purpose. We will apply the principles enunciated by the Appellate Body in the *United States — Gasoline* to interpret the relevant provisions of the *TRIPS Agreement* throughout the Report.

B. Applicability of Article 70.2 of the *TRIPS Agreement* to Inventions Protected by Old Act Patents

1. Arguments of the Parties

6.14 The **United States** construes Article 70.2 to mean that the *TRIPS Agreement* gives rise to obligations in respect of all patents existing on the date of application of the Agreement. Initially, the United States argued that the ordinary meaning of the reference in Article 70.2 to "subject matter" existing at the date of application of the Agreement was patents existing on that date but it later argued that this reference was to "inventions that can be patented", "patented inventions", "protected inventions" and "existing inventions (which may already be patented)".

6.15 The United States argues that since Article 70.2 of the *TRIPS Agreement* "gives rise to obligations in respect of all" inventions existing on 1 January 1996 which are protected on that date, Canada is obligated to apply the provisions of Article 33 to all patented inventions that existed on 1 January 1996.

¹³ Appellate Body Report, *India - Patent Protection for Pharmaceutical and Agricultural Chemical Products* ("*India - Patents*"), WT/DS50/AB/R, adopted 16 January 1998, DSR 1998:I, 9, para. 29.

¹⁴ Appellate Body Report, *United States - Standards for Reformulated and Conventional Gasoline* ("*United States - Gasoline*"), WT/DS2/AB/R, adopted 20 May 1996, DSR 1996:I, 3, at 16. See also Appellate Body Report, *Japan - Taxes on Alcoholic Beverages* ("*Japan - Alcoholic Beverages*"), WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, adopted 1 November 1996, DSR 1996:I, 97, at 104; Appellate Body Report, *India - Patents*, *supra*, footnote 13, para. 46; Appellate Body Report, *European Communities - Customs Classification of Certain Computer Equipment*, WT/DS62/AB/R, WT/DS67/AB/R, WT/DS68/AB/R, adopted 22 June 1998, DSR 1998:V, 1851, para. 84; and Appellate Body Report, *United States - Import Prohibition of Certain Shrimp and Shrimp Products*, WT/DS58/AB/R, adopted 6 November 1998, DSR 1998:VII, 2755, para. 114.

6.16 **Canada** initially responded that Old Act patents that were granted before 1 January 1996 pursuant to an act of the Commissioner of Patents were exempt from the obligations of the *TRIPS Agreement* on the ground that Article 70.1 states that the *TRIPS Agreement* "does not give rise to obligations in respect of acts which occurred before the date of application of the Agreement for the Member in question."

6.17 According to Canada, the word "acts" as used in Article 70.1 is not qualified as referring to any particular type of class of act and therefore does not have a "limited or qualified meaning". In contrast, Canada notes that Articles 26.1, 28.1(a) and (b), 36, 41.1 and 70.4 qualify the use of the word "acts" and refers to a secondary source that states that Article 70.1 expresses the rule of non-retroactivity with respect to acts that occurred before the *TRIPS* application date. Canada concludes therefore that the term "acts" includes acts of issuance by patent authorities and also the act of filing an application.

6.18 Canada argues that the only limitation contained in the word "acts" as used in Article 70.1 is the temporal element and that the "acts" of filing an application and granting a patent for a fixed term are complete when they are made and therefore are not subject to the Agreement because they occurred before the date of application of the *TRIPS Agreement*.

6.19 Canada argues that Article 33 is to be applied prospectively to acts of grant that occurred on or after 1 January 1996 and not retroactively to "acts" of filing or grant that occurred before that date.

6.20 In response to Canada's defence that Section 45 of its *Patent Act* is excluded from the application of Articles 33 and 70.2 by the operation of Article 70.1, the **United States** agrees with Canada's interpretation of the word "acts" in Article 70.1, accepting that it could apply to both infringing acts of third parties and administrative acts of Member governments so that acts of issuing patents before 1996 are excluded from the operation of the *TRIPS Agreement*. However, the United States disagrees with Canada's view that Article 70.1 is applicable to patents in force on the date of application of the *TRIPS Agreement*, arguing that Article 70.1 has no relevance and that the inventions under protection of those patents are covered by Article 70.2. The United States emphasizes that its interpretation of Article 70.1 and 70.2 has the advantage of avoiding any conflict between them and gives them both meaning.

6.21 The United States argues that the "acts" of Canada's Patent Office prior to 1996 are not at issue. It submits that the violation is unrelated to any pre-1996 "act" but is related only to the subject matter (protected inventions) that existed on 1 January 1996. The United States argues that the rule in Article 70.1 that pre-1996 acts are not subject to the obligations in the Agreement does not imply that subject matter existing on 1 January 1996 is also not subject to the obligations of the Agreement. According to the United States, Article 70.1 does not prevent the prospective application of *TRIPS* standards, including the standard governing the term of protection, to existing subject matter as mandated by Article 70.2.

6.22 The United States also supports its interpretation of Article 70.1 on the basis that if Article 70.1 were to mean that the *TRIPS Agreement* did not apply to existing subject matter which derived from an act prior to the application of the *TRIPS Agreement*, it would render meaningless or redundant paragraphs 3, 4, 5, and 6 of Article 70 and would exclude all intellectual property rights that existed before 1996 from the operation of the *TRIPS Agreement*. The United States argues that such in-

terpretation would undermine its effect and is not borne out by the subsequent practice of Members or the negotiating history of the Agreement.

6.23 **Canada** argues that the introductory phrase of Article 70.2 "[e]xcept as otherwise provided for in this Agreement" requires that, whatever its meaning, it is "trumped" by Article 70.1 and cannot render Old Act patents subject to the Agreement. It argues that the phrase is not limited to other provisions of Article 70.2 itself, but refers to the whole Agreement. It argues that to interpret it otherwise would be to subtract these words from the Agreement, in violation of rules of treaty interpretation in Article 31 of the *Vienna Convention* and WTO jurisprudence.

6.24 Canada relies on the argument that Article 28 of the *Vienna Convention* introduces a presumption against retroactivity "unless a different intention appears from the treaty or is otherwise established". It argued first that there is no different intention expressed in the *TRIPS Agreement* but later accepted that Article 70.2 expresses such a contrary intention, although in its view this is subject to an overriding exception in the introductory phrase. Canada argues that the United States, as the complainant, has the burden of establishing *prima facie* that Articles 33 and 70.2 apply to Old Act patents and that Article 70.1 is not applicable to Section 45 patents.

6.25 The **United States** disagrees with Canada's interpretation of the introductory phrase in Article 70.2 "[e]xcept as otherwise provided for in this Agreement", and argues that it has no bearing on the legal issues involved in this case. It argues that if this phrase produced the result that Article 70.1 applied to patents in force on the date of application of the *TRIPS Agreement* to the exclusion of Article 70.2, it would essentially read Article 70.2 out of the *TRIPS Agreement*. It argues that the introductory phrase refers, *inter alia*, to the second half of Article 70.2, which deals with copyright and related rights, which have no bearing on this case.

6.26 In response to the United States' claim that *TRIPS* obligations apply to inventions protected by Old Act patents, **Canada** argues that the obligation in respect of Article 33 of the *TRIPS Agreement* applies to a patent but not to "subject matter". In Canada's view, a "patent" is the "vehicle of protection", "a legal device through which the State protects an invention [and] not subject matter within the ordinary meaning of Article 70.2." The expression "subject matter", according to Canada, is the object of the protection, e.g. work, mark, design, invention, layout-design or geographical indication. In Canada's view, such distinction is reflected in Article 27 which defines what "subject matter" is "patentable" or "protectable"; Article 28 which defines the rights to be conferred and protected by a patent; Article 29 which defines an applicant's obligation to disclose its invention as part of the patent bargain; and Article 33 which defines a variable term of protection during which the rights conferred will endure. According to Canada, the distinction between "subject matter" and "patent" operates to detach the term of protection given by the "act" of the issuance of the patent from the exclusive and other rights conferred by the "patent" itself.

6.27 Canada argues that the Article 33 obligation in respect of the term of protection is related to the act of filing a patent application and the act of granting a patent. According to Canada, the act of filing is the trigger which sets the expiry date for the term of protection. However, Canada notes, there can be no term of protection unless a patent is in fact granted because there is no basis for the protection of the invention unless and until the patent is granted. Canada maintains that the commencement of the term of protection is triggered by the act of grant. Canada states that both the

commencement and expiry of the term of protection depend upon the occurrence of these two successive and related acts. Canada concludes that the obligation in Article 33 is an obligation in respect of "acts" and that Article 70.1 states that the *TRIPS Agreement* does not give rise to obligations in respect of "acts" which occurred before 1 January 1996.

6.28 Canada argues that the act of filing a patent application and the administrative act of granting a patent were essential to initiate a term of protection under Article 33 and that Article 33 obligation does not apply retroactively to Old Act patents because the word "acts" in Article 70.1 covers the act of filing an application and the administrative act of grant of a patent. Canada argues that, unlike Article 33 which is temporal in nature because of its linkage of both the commencement and the expiry dates of the term of protection with the acts of filing and granting, the obligation in Article 28 does not depend upon the occurrence of any act. According to Canada, the operation of Article 28 depends solely upon a patent being in existence.

6.29 The **United States** notes that Canada acknowledges that pre-1996 acts do not preclude the application of the obligations in Articles 27.1, 28 and 31(h) to existing subject matter. The United States asserts that Canada is unable to explain why the *TRIPS* obligation involving the term of protection may be properly excluded under Article 70.1 while other obligations, such as the provision of exclusive rights in Article 28, are not.

6.30 The United States contends that obligations in Articles 27, 28 and 31 of the *TRIPS Agreement* cannot be distinguished in this regard from the obligation in Article 33. The United States claims that under Article 70.2, Canada must apply all *TRIPS* obligations to all inventions that were protected on 1 January 1996.

2. *Evaluation by the Panel*

6.31 We consider in this section the respective merits of:

- (a) the United States' claim that the phrase existing "subject matter...which is protected", as used in Article 70.2, includes inventions protected by Old Act patents on 1 January 1996; and
- (b) Canada's arguments that:
 - (i) Article 70.2 of the *TRIPS Agreement* is not applicable in this dispute on the basis of the meaning of the word "acts" contained in Article 70.1 and the introductory phrase "[e]xcept as otherwise provided for in this Agreement" contained in Article 70.2. We then consider the merit of this argument in light of the principle of effective treaty interpretation; and
 - (ii) Article 70.2, even if it were applicable to inventions protected by Old Act patents on 1 January 1996, does not require Members to apply the obligation of Article 33 of the *TRIPS Agreement* in relation to those patents.

- (a) Consideration of the United States' Claim that "Subject Matter...which is Protected" in Article 70.2 is Applicable to Inventions which Enjoy Protection on 1 January 1996

6.32 The United States argued that the plain language of Article 70.2 requires Canada to apply the obligations of the *TRIPS Agreement* to all patented inventions that existed on 1 January 1996.¹⁵ Article 70.2 states in relevant part:

"Except as otherwise provided for in this Agreement, this Agreement gives rise to obligations in respect of all *subject matter existing at the date of application of this Agreement* for the Member in question, and which is *protected* in that Member on the said date, or which meets or comes subsequently to meet the criteria for protection under the terms of this Agreement. ..." (emphasis added)

6.33 Article 70.2 gives rise to obligations under the *TRIPS Agreement* in respect of all "subject matter" existing on the date of application of the Agreement, provided that the "subject matter" is "protected" on that date or meets or comes to meet the criteria for protection under the *TRIPS Agreement*. We note that in Article 70.2 the word "subject matter" is followed by the word "protected" to read "subject matter...which is protected". Although the term "subject matter" is not defined in the Agreement, it is used in various subheadings and provisions of Sections 1 through 7 of Part II of the *TRIPS Agreement* and is either preceded or followed by the word "protected" or variations thereof, i.e. "protectable", "protection", to describe the "subject matter" that can or is to be "protected".

6.34 As it is undisputed that this case involves patents, the relevant provisions are contained in Section 5 of Part II of the *TRIPS Agreement*. The subheading of Article 27 is "Patentable *Subject Matter*" and paragraph 1 of Article 27 provides that the "subject matter" of this Section is "inventions". The ordinary meaning of "subject matter", which is "the topic dealt with or the subject represented in a debate, exposition, or work of art",¹⁶ and the language "*patents shall be available for any inventions*" in Article 27.1 of the *TRIPS Agreement* support the view that "subject matter" in relation to patents is "inventions".

6.35 When we examine the "protection" available to inventions, Article 27, read as a whole, supports the view that inventions are the relevant subject matter; novelty, inventive step and usefulness are the requirements for their "protection"; and patents are a relevant form of "protection". This view is confirmed contextually by other provisions in Part II of the *TRIPS Agreement* that deal with other "subject matter". For example, "Protectable Subject Matter" is the subheading of Article 15, which provides, *inter alia*, that any distinctive sign is capable of constituting a trademark. This indicates that signs are the relevant subject matter, distinctiveness is the basic requirement for their protection and trademarks a relevant form of protection. Other types of what we call "material" for the purpose of this analysis are described as "protected" or attracting "protection", i.e., "Protection of Geographical Indications"

¹⁵ Response of the United States to Panel Question 7; Second Oral Statement of the United States, para. 18.

¹⁶ *The New Oxford Dictionary of English*, (Oxford University Press, 1998), p. 1849.

in subheading of Article 22, "protected design" and "protected industrial designs" in paragraphs 1 and 2 of Article 26, which is consistent with a view that these types of "material" are specific categories of subject matter. The word "protection" is qualified by a specific intellectual property right in the phrase "copyright protection" in Article 9.2, which provides that it "shall extend to expressions", indicating that the intellectual property right is the form of protection and is consistent with a view that "expressions" refer to literary and artistic works which are the relevant category of subject matter. Indeed, the whole purpose of Part II of the *TRIPS Agreement* is to describe categories of "material", specify requirements of each which, if met, will entitle it to the conferral of the protection in the form of a particular intellectual property right and then to specify those rights and their duration.

6.36 In view of the above, we find that the term "subject matter" refers to particular "material", including literary and artistic works, signs, geographical indications, industrial designs, inventions, layout-designs of integrated circuits and undisclosed information, which, if they meet the relevant requirements set out in Part II of the Agreement, will attract protection in the form of the corresponding intellectual property rights which are set out in Sections 1 to 7 of Part II of the *TRIPS Agreement*. We therefore find that the reference to "subject matter...which is protected" on the date of application of the *TRIPS Agreement* in Article 70.2 includes "inventions" that were under patent protection in Canada on 1 January 1996. We also find that the United States has established a *prima facie* case that Article 70.2 is applicable to inventions protected by Old Act patents.¹⁷

(b) Consideration of Canada's Arguments

6.37 In light of our preliminary finding set out in paragraph 6.36, we now consider Canada's arguments that run counter to that finding.

(i) The Argument that Article 70.2 is Set Aside by Article 70.1

6.38 There are two elements to Canada's argument that Article 70.2 is set aside by Article 70.1. The first is based on Canada's interpretation of the word "acts" as it is used in Article 70.1 and the second is based on the application of the introductory phrase "[e]xcept as otherwise provided" contained in Article 70.2. We will consider these in turn and then apply the principle of effective treaty interpretation to Canada's argument.

¹⁷ The United States pointed out that "subject matter" refers to the matter that is or can be entitled to intellectual property protection, such as "broadcasts that can be copyrighted, signs that can be trademarked and inventions that can be patented." The United States emphasized that its complaint is not based on any pre-1996 "act" but is "related only to subject matter (protected inventions) that existed on [1 January 1996]". Accordingly, the United States noted that Article 70.1 is not relevant in this dispute and that the irrelevance of Article 70.1 to the specific facts of this dispute did not render Article 70.1 meaningless. It stated that construing the first para. of Article 70 as a provision that is "otherwise provided for in this Agreement" has the effect of reading the second para. of that Article out of the *TRIPS Agreement* and produced the speaking note of the chairman of the 10 + 10 meeting which suggested that the introductory phrase in Article 70.2 was intended to apply to the second sentence of Article 70.2 (see U.S. Exhibit 11).

The meaning of "acts" as it is used in Article 70.1

6.39 We note that Canada initially argued that Old Act patents which were granted pursuant to the administrative "act" of the Commissioner of Patents before 1 January 1996 are exempt from the obligations of the *TRIPS Agreement* by virtue of the non-retroactivity rule set out in Article 70.1.¹⁸ Canada relied on the fact that patents, unlike the subject matter of protection, flow from two "acts" - the "act" of filing an application and the "act" of issuing the patent by the Commissioner of Patents - both of which, in respect of Old Act patents, occurred before the date of application of the *TRIPS Agreement* and which were therefore covered by Article 70.1.¹⁹ The United States also stated that the term "acts" can include the "act" of granting a patent but argued that these acts, where they occurred before 1996, are not subject to the obligations of the *TRIPS Agreement*.²⁰

6.40 The word "acts", the ordinary meaning of which is "things done",²¹ as used in Article 70.1, may encompass acts of third parties such as acts of unfair competition;²² acts of infringement, potential infringement or unauthorized use;²³ acts not requiring the authorization of the right holder;²⁴ or an act of a right holder in relation to provisional measures.²⁵ On a broader view, "acts" may also refer to the acts of competent authorities of Members as reflected in Article 58 of the *TRIPS Agreement*.

6.41 However, for the purpose of this dispute, we do not consider it necessary to decide whether this broader view of the meaning of the word "acts" is correct, because even if, *arguendo*, "acts" as used in Article 70.1 include the administrative act of granting a patent by the Commissioner of Patents, they would still be distinct from the "subject matter...which is protected" as used in Article 70.2 which we have defined in paragraph 6.36 as inventions protected by Old Act patents on the date of application of the *TRIPS Agreement*. Even though Article 70.1 may exclude the administrative act of granting a patent prior to 1 January 1996 from the coverage of the *TRIPS Agreement*, we cannot conclude on the basis of that fact that the non-retroactivity rule of Article 70.1 governs inventions protected by Old Act patents that existed on 1 January 1996 because the administrative act of granting a patent results in the protection of the underlying "subject matter" and this protection granted to the "subject matter" is ongoing and can continue past 1 January 1996. To the extent that such protection does so continue past 1 January 1996 in Canada, it is a situation which has not ceased to exist²⁶ by the date of application of the *TRIPS Agreement* and which is therefore subject to the obligations of the Agreement from that date. Acts to apply the *TRIPS Agreement* after that date to such situations are not "acts" which occurred before the date of application of the Agreement for the Member in question and therefore not covered by Article 70.1.

¹⁸ Canada's First Submission, para. 5(d).

¹⁹ Canada's Response to Panel Question 6(c).

²⁰ Rebuttal Submission of the United States, para. 25.

²¹ *Webster's New World Dictionary*, (The World Publishing Company, 1976), p.13.

²² Article 22.2 of the *TRIPS Agreement*.

²³ Articles 26.1, 28.1(a) and (b), 36, 41 and 70.4 of the *TRIPS Agreement*.

²⁴ Article 37 of the *TRIPS Agreement*.

²⁵ Article 50.7 of the *TRIPS Agreement*.

²⁶ Article 28 of the *Vienna Convention*.

6.42 For the reasons set out above, we confirm our preliminary finding in paragraph 6.36 that Article 70.2, not Article 70.1, is applicable to inventions protected by Old Act patents on 1 January 1996. We also find that the United States has established a *prima facie* case that the ongoing protection of the inventions protected by Old Act patents is a situation that did not cease to exist prior to entry into force of the *TRIPS Agreement* within the meaning of Article 28 of the *Vienna Convention*.

The meaning of "[e]xcept as otherwise provided" as used in Article 70.2

6.43 Canada also argued that Article 70.2 is not applicable because paragraph 1 of Article 70 is "a proviso 'otherwise set out in the Agreement'" which prevails over paragraph 2 of Article 70 on which the United States relies to establish the application of Article 33 to Section 45 patents.²⁷ Canada claimed that even though patentable subject matter is defined as inventions that meet or are capable of meeting the criteria set out in Article 27, and that those inventions which existed on the date of application of the *TRIPS Agreement* were entitled to the benefit of the obligations under the Agreement, this was subject to the qualification contained in the introductory phrase in Article 70.2 "except as otherwise provided" in the Agreement, which referred to Article 70.1 and set aside Article 70.2 in this dispute.

6.44 The introductory phrase "[e]xcept as otherwise provided for in this Agreement" qualifies Article 70.2 and the exception is only relevant where there is another provision that is inconsistent with the first sentence, in which event the other provision would prevail. Because we consider that the word "acts" and the term "subject matter" are different concepts with disparate meanings and the term "acts" as used in Article 70.1 refers only to discrete acts which predate the date of application of the *TRIPS Agreement* and not to subsequent acts to apply the Agreement, including to situations that have not ceased to exist on that date, there is no inconsistency between paragraphs 1 and 2 of Article 70. Article 70.1 therefore does not fall within the exception and does not set aside Article 70.2.

6.45 This interpretation has the benefit of avoiding any conflict between paragraphs 1 and 2 of Article 70, which is consistent with the concept of presumption against conflict as it exists in public international law.²⁸

6.46 Our interpretation is also confirmed by the negotiating history. When the introductory phrase was being discussed during the *TRIPS* negotiations, the Chairman of the Negotiating Group stated:

"In the first line [of Article 70.2], the initial phrase would be amended to read 'Except as otherwise provided for in this Agreement...'. This

²⁷ Canada's First Submission, para. 126; Canada's Response to Panel Question 7.

²⁸ The Panel in *Indonesia - Certain Measures Affecting the Automobile Industry* stated: "...we recall first that in public international law there is a presumption against conflict. [footnote deleted] This presumption is especially relevant in the WTO context since all WTO agreements, including GATT 1994 which was modified by Understandings when judged necessary, were negotiated at the same time, by the same Members and in the same forum." Panel Report, *Indonesia - Certain Measures Affecting the Automobile Industry*, WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R, adopted 23 July 1998, DSR 1998:VI, 2201, para. 14.28.

would make it clear that, for example, Article 18 of Berne applies by virtue of Article 9.1."²⁹

6.47 For the reasons given above, we do not agree that the introductory phrase "[e]xcept as otherwise provided for in this Agreement" in Article 70.2 can be construed to refer to paragraph 1 of Article 70.

Effective interpretation

6.48 We note that if we were to accept Canada's argument that patents granted prior to 1 January 1996 are not subject to the obligations in the *TRIPS Agreement* or that Article 70.1 is a provision "otherwise provided for in this Agreement", drafters of the *TRIPS Agreement* would not have needed to delineate the nature of obligations of Members with respect to "all subject matter existing at the date of application of this Agreement" in Article 70.2. Canada's argument would reduce paragraph 6 of Article 70 to redundancy or inutility. There would be no need to state in paragraph 6 that Members are not required to apply rules concerning compulsory licensing to compulsory licences granted before the date the Agreement became known. In addition, to the extent that Article 70.1 is construed to mean that a Member had no *TRIPS* obligations with respect to intellectual property for which the act of filing an application occurred prior to 1 January 1996, Article 70.7, which permits pending applications for protection to be amended to take into account enhanced protection, would be reduced to inutility.

6.49 Interpretation of treaty language that reduces certain provisions to redundancy or inutility is contrary to the principle of effective interpretation.³⁰ The Appellate Body stated in *United States — Gasoline* that "[o]ne of the corollaries of the 'general rule of interpretation' in the *Vienna Convention* is that interpretation must give meaning and effect to all the terms of the treaty. An interpreter is not free to adopt a reading that would result in reducing whole clauses or paragraphs of a treaty to redundancy or inutility".³¹

²⁹ 10 + 10 Meeting, Speaking Note for the Chairman (16 December 1991) which was circulated to all Members and is reproduced in U.S. Exhibit 11.

³⁰ The principle of effective interpretation or "l'effet utile" or in latin *ut res magis valeat quam pereat* reflects the general rule of interpretation which requires that a treaty be interpreted to give meaning and effect to all the terms of the treaty. For instance, one provision should not be given an interpretation that will result in nullifying the effect of another provision of the same treaty. For a discussion of this principle, see *Yearbook of the International Law Commission*, 1966, Vol. II A/CN.4/SER.A/1966/Add.1 p. 219 and following. See also *e.g.*, *Corfu Channel Case* (1949) *I.C.J. Reports*, p. 24 (International Court of Justice); *Territorial Dispute Case (Libyan Arab Jamahiriya v. Chad)* (1994) *I.C.J. Reports*, p. 23 (International Court of Justice); and *Oppenheim's International Law* (9th ed., Jennings and Watts eds., 1992), Vol. 1, 1280-1281. See also the statement of the Appellate Body in *United States - Gasoline*, *supra*, footnote 14, at 21 ("An interpreter is not free to adopt a reading that would result in reducing whole clauses or paras. of a treaty to redundancy or inutility") and the Appellate Body Report on *Japan - Alcoholic Beverages*, *supra*, footnote 14, at 106. See also the Panel Report on *Korea - Definitive Safeguard Measure on Imports of Certain Dairy Products*, WT/DS98/R, adopted 12 January 2000, DSR 2000:1, 49, para. 7.37.

³¹ Appellate Body Report, *United States - Gasoline*, *supra*, footnote 14, at 21. See also Appellate Body Report, *Japan - Alcoholic Beverages*, *supra*, footnote 14, at 106; Appellate Body Report, *Canada - Measures Affecting the Importation of Milk and the Exportation of Dairy Products ("Canada - Dairy")*, WT/DS103/AB/R, WT/DS113/AB/R, adopted 27 October 1999, DSR 1999:V,

6.50 Our interpretation that Article 70.1 does not fall within the introductory phrase "[e]xcept as otherwise provided for in this Agreement" does not reduce that phrase to inutility. In our view, the reference in the introductory phrase in Article 70.2 includes the second sentence of paragraph 2 and paragraphs 4 and 6 of Article 70.

6.51 For all of the reasons given above, we confirm our preliminary finding set out in paragraph 6.36.

(ii) The Argument that Article 70.2 does not Include the Obligation under Article 33

6.52 Canada also argued that, even if Article 70.2 were construed to cover existing patents, it would do so in respect of the scope of patent rights set out in Article 28 and the obligation in Article 31(h), but not the obligation to make available the term of protection provided under Article 33. This argument is based on the notion that, unlike the rights conferred by a patent which are in respect of the invention (subject matter), the term of protection is an "integral part" of the act of grant and thus subject to the provision in Article 70.1.³² However, we cannot discern any merit or justification in the *TRIPS Agreement* for this distinction. No evidence has been advanced which would explain why the administrative "act" of grant of a patent, which confers protection on inventions, would preclude the application of the term of protection contained in Article 33 to existing patents but not the exclusive rights set forth in Article 28 and other matters set out in Section 5 of Part II of the Agreement.

6.53 In our view, Members are required to comply with all the relevant obligations set out in the *TRIPS Agreement*, including those in Section 5 of Part II, which require Members to provide patent protection for a term consistent with the requirement set out in Article 33 in respect of existing "subject matter...which is protected" on the date of application of the *TRIPS Agreement*, or which meets or comes to meet the criteria for protection. Neither the textual nor the contextual reading of Section 5 of Part II supports the notion that one obligation can be detached from the patent issued to the right holder or that Members need not comply with all relevant *TRIPS* obligations in relation to them. Holders of patents valid on the date of application of the *TRIPS Agreement* are entitled to protection of all of the rights set out in the Agreement for a term consistent with the requirement in Article 33.

6.54 Our interpretation is confirmed by footnote 3 to the *TRIPS Agreement*,³³ which forms part of the overall context of Article 70.2. The language contained in footnote 3 suggests that protection afforded to right holders of intellectual property is comprehensive and does not state or imply that certain rights or obligations can be detached and considered in isolation. In particular and germane to this dispute, the expression "matters affecting the...scope" of intellectual property rights refers, *inter alia*, to the term of protection and confirms that the term of protection (of a patent

2057, para. 133; and Appellate Body Report, *Argentina - Safeguard Measures on Imports of Footwear*, WT/DS121/AB/R, adopted 12 January 2000, DSR 2000:I, 515, para. 88.

³² Canada's Response to Panel Questions 36 and 37.

³³ We note that footnote 3 describes "protection" "for the purposes of Articles 3 and 4" of the *TRIPS Agreement*. However, we are of the view that the footnote can serve as context in interpreting protection to be provided for intellectual property rights.

among other intellectual property rights) is to be protected together with the exclusive rights within the scope of a patent as set out in Article 28.

6.55 For the reasons set out above, we find that Canada is required to apply the obligation under Article 33 to inventions protected by Old Act patents on 1 January 1996 and confirm our preliminary finding set out at paragraph 6.36.

3. Overall Conclusion with Respect to Article 70

6.56 We find that the United States established a *prima facie* case that Article 70.2 applied to inventions protected by Old Act patents in force on 1 January 1996 and therefore required developed country Members to apply the relevant obligations under the *TRIPS Agreement* as of that date to those inventions. For the reasons set out above, we reject Canada's argument that the non-retroactivity rule embodied in Article 70.1 is the provision applicable to inventions protected by Old Act patents in force on the date of application of the Agreement on the basis that those patents were granted pursuant to an "administrative act" of the Commissioner of Patents. For this reason, Article 70.1 does not override Article 70.2 despite the introductory phrase "except as otherwise provided for in this Agreement". We also reject Canada's argument that Article 70.2 does not require Members to apply the obligations of Article 33 to inventions protected by Old Act patents. In so doing, we confirm our finding that, within the context of this dispute, "subject matter" refers to inventions that meet the requirements for patentability set out in Article 27.1 and that patents constitute one form of protection of those inventions, with the result that the term "subject matter...which is protected" as used in Article 70.2 includes inventions which are protected by patents, i.e., patented inventions. In view of that finding, Canada was required to apply the relevant obligations of the *TRIPS Agreement*, including those set out in Section 5 of Part II of the Agreement, which contains Article 33, to inventions protected by Old Act patents that were in force on 1 January 1996.

C. Conformity of Section 45 of Canada's Patent Act with Article 33 of the TRIPS Agreement

6.57 In this section, we consider whether Section 45 of Canada's *Patent Act* is in conformity with Article 33 of the *TRIPS Agreement*. Before evaluating the conformity of Section 45 with Article 33, the principal arguments made by the parties are set forth below.

1. Arguments of the Parties

6.58 The **United States** argues that the *TRIPS Agreement* requires that Canada grant a term of protection for patents that runs at least until 20 years after the filing date. The United States contends that the plain meaning of Article 33 indicates that the term of protection set forth in Article 33 is a minimum term and that this interpretation is supported contextually by Article 1.1 of the *TRIPS Agreement*, which states that "Members may, but shall not be obliged to, implement...more extensive protection than is required by this Agreement". With respect to those patents that were filed before 1 October 1989 and granted in less than three years by the Canadian Commissioner of Patents and in existence as of the *TRIPS* application date, the United States claims that Canada is in violation of Articles 33 and 70.2 because the protection term of 17 years from the

date of grant provided by Section 45 of Canada's *Patent Act* often ends before a term of 20 years from the date of filing.

6.59 It is the United States' contention that Canada is in violation of the *TRIPS Agreement* with respect to each and every patent for which the term of protection is less than 20 years as of the filing date. For those patents that were issued in exactly three years, the United States notes that there is no difference between the term provided by Canada and the term required by the *TRIPS Agreement*. If a patent took longer than three years to be granted, the United States notes that the term of protection would actually be longer than required.

6.60 Referring to the figures set out in paragraph 2.10, the United States notes that, as of 1 January 2000, 66,936 Old Act patents would expire sooner than would be the case if Canada had provided a term of 20 years from filing. The United States contends that historically, 50 per cent (50%) of patent applications filed in Canada are from U.S. applicants. Thus, the United States estimates that well over 33,000 U.S. patent holders are currently holding patents with a term less than that required under the *TRIPS Agreement*.

6.61 The United States notes that under the *Vienna Convention*, "any subsequent practice" in the application of an Agreement may also establish "the agreement of the parties regarding its interpretation". In this case, according to the United States, state practice of other developed country WTO Members in applying Articles 33 and 70 of the *TRIPS Agreement* demonstrates the term of patent protection that other Members have viewed as legally required by the *TRIPS Agreement*. In this regard, the United States notes that, in addition to itself, Australia, Germany, Greece, New Zealand and Portugal have revised their laws to conform to the 20-year, as of the filing date, protection term.

6.62 **Canada** rebuts that Section 45 of Canada's *Patent Act* provides patent right holders an "effective" protection for the "exclusive privilege and property rights" that are "equivalent or superior" to the term of "exclusive privilege and property rights" provided by Article 33 of the *TRIPS Agreement*.

6.63 Canada claims that Article 33 does not provide for a minimum of 20 full years of protection for the "exclusive privilege and property rights" because the term referred to in Article 33 will be eroded by the operation of reasonable procedures which are prerequisites to the grant of a patent. According to Canada, the period of time between the date of filing and the grant of a patent will vary. Canada states that Article 62.2 recognizes that the period referred to in Article 33 will be curtailed by reasonable procedures that are prerequisite to the granting of a patent.

6.64 Canada argues that where in the normal course it takes, as it currently does in Canada in respect of New Act patents, five years to complete the examination process for a patent whose term is related to its application filing date, the period of exclusivity will be reduced accordingly. Since the five year examination period is the normal or average examination period, it must, in Canada's submission, be viewed as being "a reasonable period which avoids any unwarranted curtailment of the period of protection".

6.65 Canada argues that in cases where the term of protection is measured from the date of filing, the period during which a successful applicant will enjoy the exclusive privilege and property right conferred by a patent once issued will, in the normal course, be 15 years. Canada adds that it may provide either more or less protection depending on the length of the examination process in any particular case.