

# **WORLD TRADE ORGANIZATION**

**WT/DS170/AB/R**  
18 September 2000

(00-3564)

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## **CANADA – TERM OF PATENT PROTECTION**

**AB-2000-7**

*Report of the Appellate Body*



|      |  |    |
|------|--|----|
| I.   | Introduction.....  | 1  |
| II.  | Arguments of the Participants.....                         | 4  |
| A.   | <i>Claims of Error by Canada – Appellant</i> .....         | 4  |
| 1.   | Articles 70.1 and 70.2 of the <i>TRIPS Agreement</i> ..... | 4  |
| 2.   | Article 33 of the <i>TRIPS Agreement</i> .....             | 6  |
| B.   | <i>Arguments by the United States – Appellee</i> .....     | 9  |
| 1.   | Articles 70.1 and 70.2 of the <i>TRIPS Agreement</i> ..... | 9  |
| 2.   | Article 33 of the <i>TRIPS Agreement</i> .....             | 11 |
| III. | Issues Raised in this Appeal .....                         | 14 |
| IV.  | Order of Analysis.....                                     | 14 |
| V.   | Articles 70.1 and 70.2 of the <i>TRIPS Agreement</i> ..... | 14 |
| VI.  | Article 33 of the <i>TRIPS Agreement</i> .....             | 24 |
| VII. | Findings and Conclusions.....                              | 29 |



WORLD TRADE ORGANIZATION  
APPELLATE BODY

**Canada – Term of Patent Protection**

Canada, *Appellant*  
United States, *Appellee*

AB-2000-7

Present:

Lacarte-Muró, Presiding Member  
Bacchus, Member  
Ganesan, Member

**I. Introduction**

1. Canada appeals from certain issues of law and legal interpretations developed in the Panel Report in *Canada – Term of Patent Protection* (the "Panel Report").<sup>1</sup> The Panel was established to consider claims made by the United States that the term of patent protection provided in Canada's *Patent Act*<sup>2</sup> is inconsistent with Canada's obligations under Articles 33 and 70 of the *Agreement on Trade-Related Aspects of Intellectual Property Rights* (the "TRIPS Agreement").

2. The measure at issue in this dispute is Section 45 of Canada's *Patent Act*. Before 1 October 1989, Canada provided patent protection for a term of seventeen years from the date of grant of a patent. Canada changed the law, with effect from 1 October 1989, to provide patent protection for a term of twenty years from the date of filing of the application for a patent. However, no mechanism was provided in the legislation to allow for conversion from one system to the other.<sup>3</sup> Consequently, Section 44 of the *Patent Act* establishes the new rule for applications filed after 1 October 1989, while Section 45 maintains the seventeen year from grant rule for patent applications filed before 1 October 1989.<sup>4</sup>

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<sup>1</sup>WT/DS170/R, 5 May 2000.

<sup>2</sup>Canadian *Patent Act*, R.S.C., 1985, c.P-4, s.45. For more detailed discussion of the measure, see paras. 2.1-2.11 of the Panel Report.

<sup>3</sup>Panel Report, para. 2.4.

<sup>4</sup>By virtue of Section 27 of *An Act to Amend the Patent Act and to Provide for Certain Matters in Relation Thereto*, 17 November 1987, see paras. 2.2-2.5 of the Panel Report.

3. Sections 44 and 45 of Canada's *Patent Act* read as follows:

- 44. Subject to Section 46<sup>5</sup>, 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.
- 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.

4. Thus, Section 44 provides for a term of twenty years from the date of *application* for a patent for patent applications filed on or after 1 October 1989, while Section 45 provides for a term of seventeen years from the date of *grant* of a patent for patent applications filed before that date. Patents which are subject to Section 44 are commonly described in Canada as "New Act patents", while those subject to Article 45 are described as "Old Act patents". The Old Act patents are the subject of this dispute.

5. In accordance with Article 65.1 of the *TRIPS Agreement*, on 1 January 1996, the *TRIPS Agreement* became applicable for Canada. According to statistics provided by Canada, and uncontested by the United States, on 1 October 1996, 93,937 or just under 40 per cent of Old Act patents then in existence had terms that would, subject to the continued payment of the requisite maintenance fees, expire in less than twenty years measured from their respective application dates.<sup>6</sup> Furthermore, 66,936 or just under 40 per cent of these Old Act patents that were still in force on 1 January 2000 will, subject to the payment of annual maintenance fees, expire in less than twenty years measured from their respective application dates.<sup>7</sup>

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<sup>5</sup>Section 46 provides for the payment of maintenance fees to maintain the rights accorded by a patent once it has been issued. It further provides for the deemed expiry of the patent where those fees are in default. See Canada's appellant's submission, para. 11, footnote 9. See also Panel Report, para. 2.1, footnote 5.

<sup>6</sup>Panel Report, para. 2.7.

<sup>7</sup>*Ibid.*, para. 2.9.

6. In the Panel Report, circulated to WTO Members on 5 May 2000, the Panel concluded that:

- (i) the reference to "subject matter...which is protected" on the date of application of the *TRIPS Agreement* in Article 70.2 includes inventions that are currently protected by patents in accordance with Section 45 and that were protected by patents on 1 January 1996, and this is not affected by Article 70.1; and
- (ii) Section 45 of Canada's *Patent Act* does not make available a term of protection that does not end before 20 years from the date of filing as mandated by Article 33.<sup>8</sup>

7. The Panel, therefore, recommended that the Dispute Settlement Body (the "DSB") request Canada to bring its measures into conformity with its obligations under the *Marrakesh Agreement Establishing the World Trade Organization* (the "WTO Agreement").<sup>9</sup>

8. On 19 June 2000, Canada notified the DSB of its decision to appeal certain issues of law covered in the Panel Report and certain legal interpretations developed by the Panel, pursuant to Article 16.4 of the *Understanding on Rules and Procedures Governing the Settlement of Disputes* (the "DSU"), and filed a Notice of Appeal with the Appellate Body pursuant to Rule 20 of the *Working Procedures for Appellate Review* (the "*Working Procedures*").<sup>10</sup> On 29 June 2000, Canada filed an appellant's submission.<sup>11</sup> The United States filed an appellee's submission on 14 July 2000.<sup>12</sup> On 25 July 2000, at the request of the Appellate Body Division hearing the appeal, the participants submitted additional memoranda on certain issues of legal interpretation arising under Articles 70.1 and 70.2 of the *TRIPS Agreement*.<sup>13</sup> The Division afforded each participant an opportunity to respond to the additional memoranda submitted by the other participant.<sup>14</sup>

9. The oral hearing in the appeal was held on 1 August 2000.<sup>15</sup> The participants presented oral arguments and responded to questions put to them by Members of the Division hearing the appeal.

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<sup>8</sup>Panel Report, para. 7.1.

<sup>9</sup>*Ibid.*, para. 7.2.

<sup>10</sup>WT/DS170/4, 19 June 2000.

<sup>11</sup>Pursuant to Rule 21 (1) of the *Working Procedures*.

<sup>12</sup>Pursuant to Rule 22 (1) and Rule 23(3) of the *Working Procedures*.

<sup>13</sup>Pursuant to Rule 28.1 of the *Working Procedures*.

<sup>14</sup>Pursuant to Rule 28.2 of the *Working Procedures*.

<sup>15</sup>Pursuant to Rule 27 of the *Working Procedures*.

## II. Arguments of the Participants

### A. *Claims of Error by Canada – Appellant*

#### 1. Articles 70.1 and 70.2 of the *TRIPS Agreement*

10. Canada appeals the finding of the Panel that the "non-retroactive application rule"<sup>16</sup> contained in Article 70.1 of the *TRIPS Agreement*, with respect to "acts" which occurred prior to the date of application of the *TRIPS Agreement* for a Member, does not override the rule in Article 70.2 of the *TRIPS Agreement*, with respect to existing "subject matter" which was protected on the date of application of the Agreement for the Member in question. Canada appeals the Panel's conclusion that Canada is required to apply the obligation under Article 33 to inventions which, on 1 January 1996, the date of application of the *TRIPS Agreement* for Canada, were protected by patents, even though these patents were the result of acts of grant that occurred prior to 1 January 1996.

11. Canada relies on Article 28 of the *Vienna Convention on the Law of Treaties* (the "*Vienna Convention*")<sup>17</sup> which provides that a treaty's provisions do not operate to bind a party in relation to any act, fact or situation which pre-dates the treaty's entry into force for that party. In the view of Canada, Article 70.1 of the *TRIPS Agreement* confirms the non-retroactivity rule of Article 28 of the *Vienna Convention*, while the remaining paragraphs of Article 70 "variously amplify or modify the general rule" set out in Article 70.1, in order to address the special circumstances that negotiators of the *TRIPS Agreement* anticipated would be encountered in bringing the Agreement into effect.<sup>18</sup>

12. Canada recalls that in its submissions before the Panel, Canada argued that the obligation in Article 33 of the *TRIPS Agreement* is activated by both the *act* of filing a patent application and the *act* of granting the patent itself. The obligation in Article 33 is an obligation to provide a term of patent protection measured from the date of filing the patent application. The term of protection is activated by the act of filing and is created by the act of grant of the patent. The term of protection is, thus, an integral part of these two acts. Canada submits that the *TRIPS Agreement* does not give rise to obligations that flow from the acts of filing an application for, or of granting, a patent, where those acts occurred prior to 1 January 1996.

13. Canada further submits that the Panel erred in its interpretation by failing to consider the contextual relationship between Articles 70.1 and 70.2 of the *TRIPS Agreement*. According to Canada, a contextual interpretation of Articles 70.1 and 70.2 would reveal that both Articles address

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<sup>16</sup>Canada's appellant's submission, para. 2.

<sup>17</sup>Done at Vienna, 23 May 1969, 1155 U.N.T.S. 331; 8 International Legal Materials 679.

<sup>18</sup>Canada's appellant's submission, para. 220.



obligations to which the *TRIPS Agreement* either does or does not give rise. When the two Articles are read together, it is clear from their ordinary meaning and the "excepting language" of Article 70.2 that the obligations to which the *TRIPS Agreement* gives rise preclude any obligations described in Article 70.1.<sup>19</sup>

14. Canada also submits that in presenting its argument to the Panel, Canada addressed the distinction between Articles 33 and 28 of the *TRIPS Agreement*, in order to explain the manner in which Article 70.1 operates to exclude the obligations imposed by the latter provision but not the former. Canada contends that Article 70.1 has no application to Article 28 because, unlike Article 33, which addresses the "term" of protection, and is, therefore, attached to the "acts" of filing and grant, the rights conferred by Article 28 flow merely from the fact that the patent exists. Canada considers that in rejecting these arguments on the ground that Canada had advanced no evidence in support of them, the Panel erred by treating the arguments, which relate solely to a question of law, as propositions of fact.

15. Canada considers that the Panel erred further in its finding that Canada's argument, if correct, would nullify Articles 70.6 and 70.7 of the *TRIPS Agreement*. According to Canada, the error stems from the Panel's misconception that Canada was arguing that patents granted prior to 1 January 1996 were not subject to any of the obligations of the *TRIPS Agreement*. Canada states that Article 70.6 applies to authorizations granted by a government for the use of patent rights without the owner's authorization. Article 70.6 specifically provides that Articles 31 and 27.1 do not apply to such authorizations granted before the *TRIPS Agreement* became known, a date which, in Canada's view, is "generally accepted to be 20 December 1991, when the Dunkel Draft of the *TRIPS Agreement* was released by the GATT Secretariat".<sup>20</sup> Article 70.6 is, thus, a provision clearly intended to be applied retroactively to the general application date of the *TRIPS Agreement*.

16. Canada argues further that the Panel erred by failing to apply the interpretative maxim *lex specialis derogat legi generali*, which stipulates that a general rule such as that in Article 70.1 must yield to one such as that in Article 70.6, which is more specific.

17. Canada submits that the Panel made the same error with respect to Article 70.7 of the *TRIPS Agreement*. Article 70.7 applies to patent applications which were pending at the date of application of the *TRIPS Agreement* and provides that such applications may be amended to claim any enhanced protection provided under that Agreement. The same interpretative maxim that applies to Article 70.6 applies to Article 70.7 as well. While the act of filing an application is generally exempt from the

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<sup>19</sup>Canada's appellant's submission, para. 231.

<sup>20</sup>*Ibid.*, para. 249.

*TRIPS Agreement* under Article 70.1, Article 70.7 provides a specific exception that where an application is pending on the date of application of the *TRIPS Agreement*, such an application can be amended to claim enhanced protection. Canada submits that by failing to apply the relevant interpretative principle, the Panel erred in law.

18. Accordingly, Canada requests the Appellate Body to reverse the findings and conclusions of the Panel and find that "the excepting phrase which introduces Article 70.2 subordinates the rule in that Article to the rule in Article 70.1 in those circumstances where the two rules ostensibly give rise to obligations in respect of the same act", and, that, as a consequence, the complaint of the United States is unfounded.<sup>21</sup>

2. Article 33 of the *TRIPS Agreement*

19. Canada appeals the finding of the Panel that the term of protection provided under Section 45 of the Canadian *Patent Act* is inconsistent with the minimum standard prescribed in Article 33 of the *TRIPS Agreement*. Canada also appeals the Panel's finding that a term of protection that does not end before twenty years from the filing date of a patent application is not "available" under Section 45 of the Canadian *Patent Act*, and that Section 45 is, therefore, inconsistent with Article 33 of the *TRIPS Agreement*.

20. Canada argues that it acknowledged, before the Panel, that the term of protection provided by Section 45 of its *Patent Act* is different in language, and thus in form, from that prescribed in Article 33 of the *TRIPS Agreement*. However, Canada considers that the "substantive" or "effective" term of protection contemplated by both Section 45 and Article 33 are equivalent, and, therefore, consistent in substance.

21. According to Canada, both the text and context of the *TRIPS Agreement* contradict the Panel's finding that there is no textual or contextual support for interpreting Article 33 of the *TRIPS Agreement* as requiring Members to provide a term of "effective" protection. Read together, Articles 31.1 and 31.2 of the *Vienna Convention* clearly require that treaty provisions be interpreted in their context, having particular regard to the treaty's object and purpose.

22. Canada notes that the preamble to the *TRIPS Agreement* declares the purpose of the Agreement as, *inter alia*, to promote and provide "effective and adequate protection" of intellectual property rights. Canada submits that further contextual contradictions of the Panel's finding appear in Article 62.2 of the *TRIPS Agreement*, which allows Members to complete their pre-grant procedures "within a reasonable period of time" so long as this does not lead to an "unwarranted curtailment of

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<sup>21</sup>Canada's appellant's submission, para. 261.

the period of protection". Canada argues that, in drafting the *TRIPS Agreement*, the negotiators understood the effect of the "pendency period" on a term of protection counted from the filing date and therefore undertook to ensure an effective period or term of protection. Canada maintains further that the terms of protection elsewhere referred to in the *TRIPS Agreement* as being the minimum available period are "nominal" terms that are subject to the curtailment which Article 62.2 "expressly recognizes and condones".<sup>22</sup>

23. Canada observes that, having conceded that Article 62.2 of the *TRIPS Agreement* provides the context for interpreting the term of protection referred to in Article 33, the Panel nevertheless rejected Canada's contextual interpretation on the ground that Articles 33 and 62.2 create separate obligations: an obligation to provide a term of patent protection and an obligation not to curtail unreasonably that term, respectively. The Panel reasoned that Canada's interpretation requires the creation of a third and distinct obligation, the obligation to provide an effective term of protection. According to Canada, such a characterization misconstrues the Canadian argument, which is that the two Articles, whatever their form, must be read contextually, and if they are thus read together, they produce a substantive result, namely, an "effective" term of protection. As Section 45 of Canada's *Patent Act* produces substantively the same result as the *TRIPS Agreement*, Section 45 is consistent with the obligations imposed by the *TRIPS Agreement*.

24. Canada contends that the related operation of Articles 33, 62.2 and 28 together with Articles 44, 45.1 and 45.2 of the *TRIPS Agreement* provides further support for Canada's contextual interpretation. These latter Articles define the various legal remedies which serve to enforce the exclusive rights conferred by a patent. Whereas, under Article 33, the term of protection is counted from the date of filing, in reality it is not until the patent is actually granted that the exclusive rights and the attendant enforcement remedies come into play. Without these rights and remedies, there is no real protection and, consequently, no term of protection. Canada argues that, in failing to take account of the contextual import of the relationship between these various Articles, "the Panel could not discover the substantive meaning of what is prescribed" in Article 33 of the *TRIPS Agreement*.<sup>23</sup>

25. Canada argues further that the Panel failed to appreciate the nature and import of the figures advanced in support of Canada's "equivalence" argument. In presenting evidence establishing that the majority of Old Act patents benefited from terms of protection of twenty years or more counted from the filing date, Canada merely demonstrated that as a matter of form, these patents came within the standard required under Article 33 of the *TRIPS Agreement*. Further, in presenting "pendency period" statistics in respect of New Act patents, Canada sought to demonstrate, as a matter of

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<sup>22</sup>Canada's appellant's submission, para. 90.

<sup>23</sup>Executive Summary of Canada's appellant's submission, p. 6.

substance, the curtailment of the effective term and its downward variance from the nominal term referred to in Article 33. Canada did not argue that averages produce consistency in and of themselves, but simply that when viewed against the fixed term available under Section 45, there is consistency between Section 45 and the variable term of substantive protection available under Article 33 of the *TRIPS Agreement*.

26. Canada submits that Article 33 of the *TRIPS Agreement* makes clear that the critical element of the obligation it imposes on Members is that the specified term of protection be made *available*. In Canada's view, the ordinary meaning of "available" is "able to be used or obtained".<sup>24</sup> Applying this meaning to both the language of Section 45 and to the associated practices and procedures relating to Section 45 applications plainly demonstrates the *availability* of a term of protection of twenty years counted from the filing date.

27. Canada recalls that Section 45 of the Canadian *Patent Act* confers a term of protection of seventeen years from the date a patent is granted. Canada submits that the actual period between the date of an originating application and patent expiry depends on the length of time that the "pendency period" adds to the fixed seventeen-year term. The "pendency period" is taken up by administrative requirements to which a patent applicant must respond, and the search and examination of the substance of the application conducted by the Patent Office. Under the Canadian law, a term of protection "equal to or greater than" the twenty-year period mentioned in Article 33 of the *TRIPS Agreement* was invariably "available" to every Old Act applicant because "the system permitted the applicant to control the pace of the process so as either to retard or to accelerate the examination of its application".<sup>25</sup>

28. Canada contends that the evidence shows that an applicant could postpone the processing of its application by simply asking the Patent Office, which did not refuse such requests, to "retard or backup its position in the pendency queue".<sup>26</sup> The evidence also shows that an applicant could further retard the prosecution of its application by simply making full use of the limitation periods prescribed for the completion of the various statutory steps. In such a case, the applicant alone could control and obtain twenty eight months of "pendency", which was in addition to the "one-to-two year normal period required by the Patent Office to complete both the search and examination of the application".<sup>27</sup> In the extraordinary event that the Patent Office discharged its duties in six months, an applicant wishing to postpone its application by another six months could default on its issuance fees

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<sup>24</sup>Executive Summary of Canada's appellant's submission, p. 7.

<sup>25</sup>Canada's appellant's submission, para. 124.

<sup>26</sup>*Ibid.*, para. 125.

<sup>27</sup>Executive Summary of Canada's appellant's submission, p. 7.

and then, "as a matter of right, make good on the default at the end of the six month statutory limit in which to do so".<sup>28</sup> Canada argues, therefore, that an applicant who desired such a term could "prosecute its application" in a manner that made available a term of protection equivalent to that in Article 33.<sup>29</sup>

29. In conclusion, Canada requests that the Appellate Body reverse the findings and conclusions of the Panel and find that the term of patent protection available under Section 45 of the *Patent Act* is equivalent to and consistent with the term of protection envisaged by Articles 33 and 62.2 of the *TRIPS Agreement*. Canada also requests the Appellate Body to find that the term of protection referred to in Article 33 is, and has been, available under the Canadian law and practice relating to Section 45 of the *Patent Act*.

B. *Arguments by the United States – Appellee*

1. Articles 70.1 and 70.2 of the *TRIPS Agreement*

30. The United States requests that the Appellate Body reject Canada's appeal and uphold the finding of the Panel that Section 45 of Canada's *Patent Act* is inconsistent with Article 33 of the *TRIPS Agreement*, as made applicable by Article 70.2, to inventions existing and protected by patents in Canada on 1 January 1996.

31. The United States notes that, according to the Panel, the threshold issue raised by Articles 70.1 and 70.2 of the *TRIPS Agreement* must first be resolved before any determination regarding the possible violation of Article 33 of the *TRIPS Agreement* can be made.

32. The United States submits that the Panel correctly found that, contrary to Canada's assertion, the obligations arising with respect to existing protected "subject matter" under Article 70.2 are not eliminated by Article 70.1, which establishes that the obligations of the *TRIPS Agreement* do not apply to "acts" that occurred prior to 1 January 1996. The requirement under Article 70.1 with respect to "acts" that occurred prior to the date of application for a Member is not an exception to the obligations that arise under Article 70.2 with respect to "subject matter existing at the date of application which is protected". In the view of the United States, these two provisions are separate and distinct.

33. The United States argues that Canada's emphasis of the "interrelationship" between Articles 70.1 and 70.2, due to their common use of the phrase "give rise to obligations", does not

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<sup>28</sup>Executive Summary of Canada's appellant's submission, p. 7.

<sup>29</sup>Canada's appellant's submission, para. 215.

detract from the distinction between the two provisions: that is, one exclusively addresses "acts", while the other exclusively addresses "subject matter". When Articles 70.1 and 70.2 are interpreted based on their ordinary meaning, in their context and in light of the object and purpose of the *TRIPS Agreement*, it is clear that the obligations of the *TRIPS Agreement* apply, for Canada, to protected "subject matter" in existence on 1 January 1996, but not to "acts" commenced and concluded before 1 January 1996. The United States thus considers that the only relevant question is whether this dispute involves "existing subject matter" or "acts".

34. In response to this question, the United States concludes that this dispute involves "existing subject matter" the protection of which will expire before the period provided for in Article 33, and that, for this reason, Article 70.2, and not Article 70.1, applies. The United States recalls that the Panel came to this same conclusion when it found 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.

35. The United States notes Canada's argument that "the rights enumerated by Article 28 flow from the fact that the patent exists and not from the act of grant" but argues that, as is the case with the obligation under Article 33, the patent from which the rights in Article 28 flow also came into existence *because* of the act of filing a patent application and the Canadian government's act of granting a patent. The United States submits that it could just as easily be argued, following the logic of Canada's argument, that the rights of Article 28 are an "integral part" of the acts of filing an application and granting a patent. It could even be argued that every obligation under the *TRIPS Agreement* can be linked to an act or a series of acts.<sup>30</sup> The United States, therefore, considers that the distinction Canada attempts to draw among the obligations of the *TRIPS Agreement* to support its claim that Article 33 *alone* is subject to the exception provided by Article 70.1 is arbitrary, and must be dismissed.

36. The United States challenges Canada's argument that the Panel erred in finding that Canada's arguments would reduce Articles 70.6 and 70.7 of the *TRIPS Agreement* to inutility. According to the United States, Article 70.6 is an exception to Article 70.2: Article 70.6 enumerates two obligations of the *TRIPS Agreement* that do not apply to a protected subject matter existing on the date of application for a Member if the unauthorized use was granted by the government before the "date this Agreement became known". For the interpretative maxim *lex specialis derogat legi generali* to be applicable, however, there must first be a conflict between the two Articles at issue.

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<sup>30</sup>United States' appellee's submission, para. 12.

When interpreted correctly, there is no conflict between Articles 70.1 and 70.6. In the view of the United States, the Panel adopted the proper interpretation of the Articles in paragraph 6.48 of the Panel Report. The United States submits further that there is a strong presumption against conflict in interpreting treaties.

37. The United States argues that, when interpreted correctly, there is also no conflict between Article 70.1 and Article 70.7, which permits patent applicants with pending applications on the "date of application of this Agreement" to amend them so as to "claim any enhanced protection provided under the provisions of this Agreement".

2. Article 33 of the *TRIPS Agreement*

38. The United States also requests that the Appellate Body reject Canada's appeal and uphold the finding of the Panel that Section 45 of Canada's *Patent Act* is not consistent with Article 33 of the *TRIPS Agreement*.

39. The United States notes Canada's "equivalence" argument, namely, that the average term of protection available to its Old Act patents is equivalent to the obligation created through Articles 33 and 62.2 of the *TRIPS Agreement* conjunctively, which, if accepted, would only then require Canada to provide a patent protection term of fifteen years from the date of grant, regardless of whether this fifteen-year term expired prior to twenty years counted from the filing date. The United States argues that Article 33 states that the term of protection available shall not expire before twenty years counted from the filing date, while Article 62.2 separately requires that the term of protection shall not be unreasonably curtailed by procedures for grant or registration that affect the term's commencement. In the view of the United States, the obligations in Articles 33 and 62.2 are two independent obligations that cannot be interpreted conjunctively to create an additional obligation that overrides the obligations concerning the dates of commencement or expiry of the term of protection.

40. The United States submits that Canada's argument requires that the Appellate Body ignore the ordinary meaning of Article 33, which states unequivocally that the term of protection available for a patent "shall not end before the expiration of a period of twenty years counted from the filing date." The United States notes Canada's argument that an "equivalence" analysis is necessary and appropriate because "pendency periods" typically and routinely erode the twenty-year period of protection referred to in Article 33 and, consequently, the negotiators of the *TRIPS Agreement* must have intended that an effective period or term of protection be established by looking beyond the nominal term of protection in Article 33. The United States submits, however, that nothing in the text or context of Article 33 supports Canada's argument that a specific minimum term of protection for patents is somehow established in the *TRIPS Agreement*. Instead, the twenty-year period mandated

by Article 33 serves expressly and unambiguously as "a measuring unit" to determine the earliest date on which a term of protection of a patent may end without violating the *TRIPS Agreement*.

41. The United States argues that Canada's application of Article 31 of the *Vienna Convention* is inappropriate. Although Canada correctly states that provisions of the *TRIPS Agreement* must be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in light of its object and purpose, Canada misuses Article 62.2 to construe and calculate a patent term of protection that the clear language of Article 33 of the *TRIPS Agreement* does not permit. The United States acknowledges that Article 62.2 is part of the context of Article 33 because it is part of the text of the *TRIPS Agreement*. However, the United States insists that one Article of the *TRIPS Agreement* "cannot be used to distort the ordinary meaning of another as Canada proposes".<sup>31</sup>

42. The United States maintains that the Panel correctly rejected Canada's argument that a term of protection that does not end before twenty years from the date of filing was "available" under Section 45 of Canada's Patent Act. The Panel correctly found that the ordinary meaning of the word "available" as used in Article 33 of the *TRIPS Agreement*, in light of the object and purpose, suggests that patent right holders are entitled, as a matter of right, to a term of protection that, in the words of Article 33, does not end "before the expiration of a period of twenty years counted from the filing date".

43. The United States submits further that, contrary to Rule 22 of the *Working Procedures*, elements of Canada's "availability" defence are not directed toward "errors in the issues of law", nor do they involve the Panel's "legal interpretations". Rather, they arise seemingly from Canada's disagreement with the Panel's factual findings. Such arguments are not within the mandate of Article 17.6 of the DSU, which makes it clear that "[a]n appeal shall be limited to issues of law covered in the panel report and legal interpretations developed by the panel." The United States recalls that this limited scope has been further confirmed by the Appellate Body.<sup>32</sup>

44. The United States notes Canada's argument that the Panel completely disregarded the factual evidence before it. The United States submits that, in making this argument, Canada is merely questioning the weight the Panel gave to certain factual evidence. According to the United States, the Panel discussed the evidence submitted by Canada, but was ultimately not persuaded by Canada's evidence that postponement requests by Old Act patent applicants were never refused. The

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<sup>31</sup>United States' appellee's submission, para. 19.

<sup>32</sup>Appellate Body Report, *EC Measures Concerning Meat and Meat Products (Hormones)* WT/DS26/AB/R, WT/DS48/AB/R, adopted 13 February 1997, para. 132.



United States submits that the Panel correctly found that the relevant issue was not whether an Old Act applicant knew ten years after the last Old Act patent was filed that postponement requests were granted, but whether such applicant knew with certainty at the time he was requesting a postponement that such a request would be honoured. Given the Panel's focus on the real issue of whether an applicant had a legal right to a postponement, the Panel was justified in giving less weight to Canada's evidence regarding the history of postponement requests.

45. The United States asserts that Canada is, in effect, claiming that the Panel erred when it relied on the plain meaning of the text of Canada's law to find that the procedural delays described by Canada to extend "pendency periods" for Old Act patent applicants might not always be granted as a matter of right, but would instead be subject to the discretion of the Canadian Patent Commissioner. Canada essentially argues that this plain meaning of the text of the Canadian law should be ignored. In presenting this defence, however, Canada fails to establish a justification for its assertion.

46. The United States submits that Canada was obligated, as from 1 January 1996, to make available a patent term that will not expire until at least twenty years from the filing date. It is uncontested that this requirement was not made available for all Old Act patents as from that date. Therefore, according to the United States, it does not matter whether a patent applicant might have been able to manipulate the patent system to obtain a term of twenty years counted from the filing date. What matters is that, when Canada had the obligation to make available a term of protection that does not end until at least twenty years counted from the filing date for all its Old Act patents, it did not do so, and it still does not do so. Thus, the United States submits that the Article 33 benefit is not "available" for purposes of the *TRIPS Agreement* because Old Act patent holders cannot take advantage of the benefit any time after the *TRIPS Agreement* entered into force for Canada. In the view of the United States, for this reason alone, Canada's "availability" argument must fail.

47. Accordingly, the United States requests that the Appellate Body reject Canada's appeal and uphold the findings of the Panel that Section 45 of the Canadian *Patent Act* is not consistent with Canada's obligation under Article 33 of the *TRIPS Agreement*, as made applicable by Article 70.2 to inventions existing and protected by patents in Canada on 1 January 1996.

### III. Issues Raised in this Appeal

48. This appeal raises the following issues:

- (a) whether the Panel erred in concluding that Article 70.2, and not Article 70.1, of the *TRIPS Agreement* is applicable to inventions protected by Old Act patents on the date of application of the *TRIPS Agreement* for Canada, and that, therefore, the obligation in Article 33 to provide a term of protection of not less than twenty years from the date of filing is applicable to Old Act patents; and
- (b) whether the Panel erred in interpreting and applying Article 33 of the *TRIPS Agreement* and, in particular, in concluding that Section 45 of Canada's *Patent Act*, which provides a term of seventeen years from the date of grant for Old Act patents, is inconsistent with Article 33.

### IV. Order of Analysis

49. The measure before us in this appeal is Section 45 of Canada's *Patent Act*. As applied by Canada, and as both parties agree, this measure relates to patents for which the applications were filed before 1 October 1989, and which were in force on 1 January 1996, the date on which the *TRIPS Agreement* became applicable for Canada ("Old Act patents"). As in every appeal, a threshold question is whether the measure before us falls within the scope of one of the covered agreements, in this case the *TRIPS Agreement*. For this reason, we begin our analysis of the legal issues raised in this appeal by considering Article 70, because this Article determines the overall applicability of the obligations of the *TRIPS Agreement*, including the obligation found in Article 33, to the measure in dispute. Only if we conclude from addressing Article 70 that the measure before us does fall within the scope of the *TRIPS Agreement* will it become necessary for us to examine the consistency of Section 45 of Canada's *Patent Act* with Article 33 of that Agreement.

### V. Articles 70.1 and 70.2 of the *TRIPS Agreement*

50. Canada appeals the Panel's conclusion that Article 70.2, which addresses "subject matter existing ... and which is protected" on the date of application of the *TRIPS Agreement* for a Member applies, in the case of Canada, to Old Act patents; and that Article 70.1, which addresses "acts which occurred" before that date, does not. Canada argues that the patent term obligation in Article 33 is, to use Canada's phrase, an "integral part"<sup>33</sup> of the "act" of filing a patent application and also the "act" of

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<sup>33</sup>Oral statement of Canada at the Second Panel Meeting, para. 66, Panel Report, p. 145. See also response of Canada to question 37 from the Panel, Panel Report, p. 161.

granting a patent. Canada argues that, with respect to Old Act patents, Article 33 thus becomes an obligation in respect of "acts which occurred" before the date of application of the *TRIPS Agreement* for Canada, and that, because of Article 70.1, the obligation in Article 33 does not apply. According to Canada, Articles 70.1 and 70.2 are not mutually exclusive, as shown by the "excepting language" at the beginning of Article 70.2 – "[e]xcept as otherwise provided for in this Agreement ...".<sup>34</sup>

51. The Panel rejected Canada's arguments. Looking first at Article 70.2, the Panel found that "subject matter existing ... and which is protected" at the date of application of the *TRIPS Agreement* for Canada includes *inventions* protected by Old Act patents. Turning to Article 70.1, the Panel found that, as the protection accorded under Old Act patents in respect of inventions is a "situation which has not ceased to exist" at the date of application of the *TRIPS Agreement* for Canada, this situation cannot be related to "acts which occurred" before that date and thereby brought within the scope of Article 70.1 of the *TRIPS Agreement*.<sup>35</sup> The Panel found that Articles 70.1 and 70.2 are mutually exclusive, and that the clause "[e]xcept as otherwise provided in this Agreement ..." in Article 70.2 does not refer to Article 70.1.<sup>36</sup> In the view of the Panel, any other interpretation would reduce Articles 70.6 and 70.7 to redundancy or inutility.<sup>37</sup> Finally, the Panel rejected Canada's argument that, while the other patent rights under the *TRIPS Agreement* may apply to inventions protected by Old Act patents, the patent term right alone under Article 33 does not. The Panel saw no textual or contextual legal basis for such a distinction in the *TRIPS Agreement*.<sup>38</sup>

52. In addressing this issue, we will proceed as follows. First, we will examine whether Article 70.1 provides that the obligations of the *TRIPS Agreement* do *not* apply to Old Act patents. Next, we will examine whether Article 70.2 provides that the obligations of the *TRIPS Agreement* *do* apply to Old Act patents. And, finally, we will examine whether, for the purposes of Article 70, the patent term obligation in Article 33 should be treated differently from other obligations under the *TRIPS Agreement*.

53. Canada claims that the Panel erred in finding that Article 70.1 does not prevent the obligations of the *TRIPS Agreement* from applying to Old Act patents. In addressing this issue, we look first, as always, at the text of the treaty provision, in accordance with the general rule of

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<sup>34</sup>Canada's appellant's submission, para. 238.

<sup>35</sup>Panel Report, para. 6.41.

<sup>36</sup>*Ibid.*, para. 6.44.

<sup>37</sup>*Ibid.*, para. 6.48-6.49.

<sup>38</sup>*Ibid.*, para. 6.52-6.54.

interpretation in Article 31 of the *Vienna Convention on the Law of Treaties* (the "*Vienna Convention*").<sup>39</sup> Article 70.1 states:

Article 70

*Protection of Existing Subject Matter*

1. This 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. (emphasis added)

54. Our main task is to give meaning to the phrase "acts which occurred before the date of application" and to interpret Article 70.1 harmoniously with the rest of the provisions of Article 70. We are of the view that the term "acts" has been used in Article 70.1 in its normal or ordinary sense of "things done", "deeds", "actions" or "operations". In the context of "acts" falling within the domain of intellectual property rights, the term "acts" in Article 70.1 may, therefore, encompass the "acts" of public authorities (that is, governments as well as their regulatory and administrative authorities) as well as the "acts" of private or third parties. Examples of the "acts" of public authorities may include, in the field of patents, the examination of patent applications, the grant or rejection of a patent, the revocation or forfeiture of a patent, the grant of a compulsory licence, the impounding by customs authorities of goods alleged to infringe the intellectual property rights of a holder, and the like.<sup>40</sup> Examples of "acts" of private or third parties may include "acts" such as the filing of a patent application, infringement or other unauthorized use of a patent, unfair competition, or abuse of patent rights.<sup>41</sup>

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<sup>39</sup>Done at Vienna, 23 May 1969, 1155 U.N.T.S. 331; 8 International Legal Materials 679. We have previously confirmed this approach in Appellate Body Report, *United States – Standards for Conventional and Reformulated Gasoline*, WT/DS2/AB/R, adopted 20 May 1996, p. 23; Appellate Body Report, *Japan – Taxes on Alcoholic Beverages*, WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, adopted 1 November 1996, p. 12; and, most recently, in Appellate Body Report, *Argentina – Safeguard Measures on Imports of Footwear* ("*Argentina - Footwear Safeguards*"), WT/DS121/AB/R, adopted 12 January 2000, para. 81.

<sup>40</sup>Article 2 of the *TRIPS Agreement* provides, in pertinent part, that, with respect to Part II of the Agreement, which includes Section 5 relating to "Patents", "Members shall comply with Articles 1 through 12, and Article 19, of the *Paris Convention* (1967)", which is defined in footnote 2 of the *TRIPS Agreement* as the Stockholm Act of 14 July 1967 of the *Paris Convention for the Protection of Industrial Property*, done at Paris on 20 March 1883. Reference to various Articles of the *Paris Convention* that relate to patents will also show that patents are granted for protection of "inventions", and that inventions are the "*subject matter*" of patents. The word "acts" is mentioned in Article 4B of the *Paris Convention*, notably in the context of certain "acts" of third parties. This indicates to us that part of the wider context for such terms, as used in the *TRIPS Agreement*, is the way in which the same terms are used in the *Paris Convention* (1967). We note in the World Intellectual Property Organization (WIPO) treatise, *Introduction to Intellectual Property, Theory and Practice* (Kluwer Law International Ltd., 1997), a description of: "actions" by public authorities in relation to the grant and publication of patents (p. 134, paras. 7.78-7.85); and "invention" (p. 123, paras. 7.1). Similarly, we note also the descriptions in this WIPO treatise of "subject matter" as that term relates to patents (p. 124, para. 7.8). These descriptions are consistent with the interpretations we give to these terms in this Report.

<sup>41</sup>For examples discussed by the Panel, see Panel Report, para. 6.40.

55. Article 70.1 provides that, where such "acts" "occurred" before the date of application of the *TRIPS Agreement* for a Member, that is to say, where such "acts" were done, carried out or completed before that date, no obligation of the *TRIPS Agreement* is to be imposed on a Member in respect of those "acts". Those "acts" themselves cannot be called in question after the date of application of the *TRIPS Agreement* for a Member. In this regard, we note that, in this dispute, the United States has repeatedly emphasized that it is not challenging or complaining against any "act" of any Canadian public authority or private party that took place before 1 January 1996, the date of application of the *TRIPS Agreement* for Canada.<sup>42</sup>

56. However, in the realm of intellectual property rights, it is of fundamental importance to distinguish between "acts" and the "rights" created by those "acts". In the field of patents, for example, the grant of a patent (which is clearly an "act") confers at least the following substantive rights on the grantee, according to the provisions of the *TRIPS Agreement*: national treatment (Article 3); most-favoured-nation treatment (Article 4); product and process patents being available in all fields of technology; non-discrimination between imported and domestic products (Article 27.1); the term of protection (Article 33); and "reversal of burden of proof" in the case of process patents (Article 34).

57. With respect to Article 70.1, the crucial question for consideration before us is, therefore: if patents created by "acts" of public authorities under the Old Act continue to be in force on the date of application of the *TRIPS Agreement* for Canada (that is, on 1 January 1996), can Article 70.1 operate to exclude those patents from the scope of the *TRIPS Agreement*, on the ground that they were created by "acts which occurred" before that date?

58. The ordinary meaning of the term "acts" suggests that the answer to this question must be no. An "act" is something that is "done", and the use of the phrase "acts which occurred" suggests that what was done is now complete or ended. This excludes situations, including existing rights and obligations, that have *not* ended. Indeed, the title of Article 70, "Protection of Existing Subject Matter", confirms contextually that the focus of Article 70 is on bringing within the scope of the *TRIPS Agreement* "subject matter" which, on the date of the application of the Agreement for a Member, is existing and which meets the relevant criteria for protection under the Agreement.

59. A contrary interpretation would seriously erode the scope of the other provisions of Article 70, especially the explicit provisions of Article 70.2. Almost any existing situation or right can be said to have arisen from one or more past "acts". For example, virtually all contractual and

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<sup>42</sup>Rebuttal submission of the United States, para. 30, Panel Report, p. 56. Oral statement of the United States at the Second Panel Meeting, para. 21, Panel Report, p. 61.

property rights could be said to arise from "acts which occurred" in the past. If the phrase "acts which occurred" were interpreted to cover all *continuing* situations involving patents which were granted before the date of application of the *TRIPS Agreement* for a Member, including such rights as those under Old Act patents, then Article 70.1 would preclude the application of virtually the whole of the *TRIPS Agreement* to rights conferred by the patents arising from such "acts". This is not consistent with the object and purpose of the *TRIPS Agreement*, as reflected in the preamble of the Agreement.

60. We conclude, therefore, that Article 70.1 of the *TRIPS Agreement* cannot be interpreted to exclude existing rights, such as patent rights, even if such rights arose through acts which occurred before the date of application of the *TRIPS Agreement* for a Member. We, therefore, confirm the finding of the Panel that Article 70.1 does *not* exclude from the scope of the *TRIPS Agreement* Old Act patents that existed on the date of application of the *TRIPS Agreement* for Canada.

61. Canada also appeals the Panel's determination that Article 70.2 and, therefore, Article 33, applies to Old Act patents. We recall that the Panel first found that the "subject matter ... which is protected" on the date of application of the *TRIPS Agreement* for Canada includes "inventions" protected by Old Act patents.<sup>43</sup> The Panel then found that, under Article 70.2, the *TRIPS Agreement* gives rise to obligations in respect of those patented inventions.<sup>44</sup> Canada does not contest that the "subject matter ... which is protected" in this case is the patented inventions existing at the time the *TRIPS Agreement* became applicable for Canada. However, Canada does not accept that the obligation in Article 33 applies to Old Act patents.

62. We begin our examination of Article 70.2 with the text of the provision, which states:

Article 70

*Protection of Existing Subject Matter*

...

2. 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)

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<sup>43</sup>Panel Report, para. 6.36.

<sup>44</sup>*Ibid.*

63. In examining the text of this treaty provision, the first interpretative issue is whether Old Act patents are "subject matter existing ... which is protected" on the date of application of the *TRIPS Agreement* for Canada. The second is to determine whether the clause "[e]xcept as otherwise provided", which qualifies Article 70.2, applies to the issue raised in this appeal. We deal with each of these issues in turn.

64. We first examine the meaning of the term "subject matter". On this issue, the Panel said:

. . . 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*.

The Panel concluded:

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.<sup>45</sup>

65. We agree with the Panel's reasoning that "subject matter" in Article 70.2 refers, in the case of patents, to *inventions*. The ordinary meaning of the term "subject matter" is a "topic dealt with or the subject represented in a debate, exposition, or work of art".<sup>46</sup> Useful context is provided by the qualification of the term "subject matter", in the same sentence of Article 70.2, by the word "protected", as well as by the phrase "meet the criteria for protection under the terms of this Agreement" appearing later in the same sentence. As noted earlier, the title to Article 70 also uses the words "Protection of Existing Subject Matter". We can deduce, therefore, that the "subject matter", for purposes of Article 70.2, is that which is "protected", or "meets the criteria for protection", under the terms of the *TRIPS Agreement*. As, in the present case, patents are the means of protection, then whatever patents protect must be the "subject matter" to which Article 70.2 refers.

66. Articles 27, 28, 31 and 34 of the *TRIPS Agreement* also use the words "subject matter" with respect to patents and provide an equally useful context for interpretation. Article 27, entitled "Patentable Subject Matter", states: "patents shall be available for any *inventions*" ...<sup>47</sup> This Article

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<sup>45</sup>Panel Report, para. 6.36.

<sup>46</sup>*The New Shorter Oxford English Dictionary*, Lesley Brown (ed.), (Clarendon Press, 1993), Vol. I, p. 1849.

<sup>47</sup>Emphasis added.

identifies the criteria that an invention must fulfill in order to be eligible to receive a patent, and it also identifies the types of inventions that may be excluded from patentability even if they meet those criteria. On the other hand, in Articles 28, 31 and 34, the words "subject matter" relate to patents that are granted pursuant to the criteria in Article 27; that is to say, these Articles relate to inventions that are protected by patents granted, as distinguished from the "patentable" inventions to which Article 27 refers. These Articles confirm the conclusion that *inventions* are the relevant "subject matter" in the case of patents, and that the "subject matter" in Article 70.2 means, in the case of patents, patentable or patented inventions. Article 70.2 thus gives rise to obligations in respect of all such inventions existing on the date of application of the *TRIPS Agreement* for a Member. In the appeal before us, where the measure in dispute is Section 45 of Canada's *Patent Act*, which applies to Old Act patents, the word "subject matter" means the inventions that were protected by those patents. We, therefore, confirm the conclusion of the Panel in this regard.

67. We now consider whether the qualifying provision at the beginning of Article 70.2 applies in this case. Article 70.2 begins with the words "Except as otherwise provided for in this Agreement". Canada argues that Article 70.1 constitutes an exception for "subject matter existing ... and which is protected" on the date of application of the *TRIPS Agreement* for Canada; that Article 70.1 is, therefore, "otherwise provided", within the meaning of this qualifying provision; and that, accordingly, Article 70.1 overrides Article 70.2. Canada concludes, as a consequence, that the obligation in Article 33 does not apply to Old Act patents.

68. In addressing this issue, the Panel stated:

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.<sup>48</sup>

69. Like the Panel, we see Articles 70.1 and 70.2 as dealing with two distinct and separate matters. The former deals with past "acts", while the latter deals with "subject matter" existing on the applicable date of the *TRIPS Agreement*. Article 70.1 of the *TRIPS Agreement* operates only to exclude obligations in respect of "acts which occurred" before the date of application of the *TRIPS Agreement*, but does *not* exclude rights and obligations in respect of *continuing situations*. On the contrary, "subject matter existing ... which is protected" is clearly a continuing situation, whether

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<sup>48</sup>Panel Report, para. 6.44.



viewed as protected inventions, or as the patent rights attached to them. "Subject matter existing ... which is protected" is not within the scope of Article 70.1, and, therefore, the "[e]xcept as otherwise provided for" clause in Article 70.2 can have no application to it. Thus, for the sake of argument, even if there is a relationship between Article 70.1 and the opening proviso in Article 70.2, Canada's argument with respect to Old Act patents fails nonetheless, as we have concluded that the continuing rights relating to Old Act patents do not fall within the scope of Article 70.1.

70. We wish to point out that our interpretation of Article 70 does not lead to a "retroactive" application of the *TRIPS Agreement*. Article 70.1 alone addresses "retroactive" circumstances, and it excludes them generally from the scope of the Agreement. The application of Article 33 to inventions protected under Old Act patents is justified under Article 70.2, not Article 70.1. A treaty applies to existing rights, even when those rights result from "acts which occurred" before the treaty entered into force.

71. This conclusion is supported by the general principle of international law found in the *Vienna Convention*, which establishes a presumption against the retroactive effect of treaties in the following terms:

Article 28

*Non-retroactivity of treaties*

Unless a different intention appears from the treaty or is otherwise established, its provisions do not bind a party in relation to any act or fact which took place or any *situation which ceased to exist* before the date of the entry into force of the treaty with respect to that party.  
(emphasis added)<sup>49</sup>

72. Article 28 of the *Vienna Convention* covers not only any "act", but also any "fact" or "situation which ceased to exist". Article 28 establishes that, in the absence of a contrary intention, treaty provisions do *not* apply to "any situation which ceased to exist" before the treaty's entry into force for a party to the treaty. Logically, it seems to us that Article 28 also necessarily implies that, absent a contrary intention, treaty obligations *do* apply to any "situation" which has *not* ceased to exist – that is, to any situation that arose in the past, but continues to exist under the new treaty. Indeed, the very use of the word "situation" suggests something that subsists and continues over time; it would, therefore, include "subject matter existing ... and which is protected", such as Old Act

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<sup>49</sup>We have endorsed this general principle of international law in Appellate Body Report, *Brazil – Measures Affecting Desiccated Coconut*, WT/DS22/AB/R, adopted 20 March 1997, p. 15, and in Appellate Body Report, *European Communities – Regime for the Importation, Sale and Distribution of Bananas*, WT/DS27/AB/R, adopted 25 September 1997, para. 235.

patents at issue in this dispute, even though those patents, and the rights conferred by those patents, arose from "acts which occurred" before the date of application of the *TRIPS Agreement* for Canada.

73. This interpretation is confirmed by the Commentary on Article 28, which forms part of the preparatory work of the *Vienna Convention*:

If, however, an act or fact or situation which took place or arose prior to the entry into force of a treaty continues to occur or exist after the treaty has come into force, it will be caught by the provisions of the treaty. The non-retroactivity principle cannot be infringed by applying a treaty to matters that occur or exist when the treaty is in force, even if they first began at an earlier date.<sup>50</sup>

This point is further explained by the Special Rapporteur:

The main point ... was that "the non-retroactivity principle cannot be infringed by applying a treaty to matters that occur or exist when the treaty is in force, even if they first began at an earlier date". In these cases, the treaty does not, strictly speaking, apply to a fact, act or situation falling partly within and partly outside the period during which it is in force; it applies only to the fact, act or situation which occurs or exists after the treaty is in force. *This may have the result that prior facts, acts or situations are brought under consideration for the purpose of the application of the treaty; but this is only because of their causal connexion with the subsequent facts, acts or situations to which alone in law the treaty applies.*<sup>51</sup> (emphasis added)

74. We note that Article 28 of the *Vienna Convention* is not applicable if "a different intention appears from the treaty or is otherwise established". We see no such "different intention" in Article 70. Despite some differences in wording and structure from Article 28, we do not see Article 70.1 as in any way establishing "a different intention" within the meaning of Article 28 of the *Vienna Convention*.

75. The Panel found that Article 70.2 makes the obligations of the *TRIPS Agreement* applicable to inventions protected by Old Act patents. Canada does not argue in this appeal that *none* of the obligations in the *TRIPS Agreement* relating to patent rights applies to Old Act patents. Canada argues, instead, that, although Article 70.2 may make *some* obligations under the *TRIPS Agreement* applicable to Old Act patents, Article 70.2 does not make the obligation in Article 33 relating to the *patent term* applicable to such patents. Thus, Canada seeks to distinguish the obligation to provide a particular patent term from the other obligations relating to patents in Section 5 of the

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<sup>50</sup>See D. Raushning, ed., *Vienna Convention on the Law of Treaties, Travaux Préparatoires*, (Alfred Metzner Verlag, 1978), observation 3 on Article 28 of the International Law Commission Final Draft, p. 220.

<sup>51</sup>*Ibid.*, observation 3 on the Waldock Report VI, p. 218.

*TRIPS Agreement*, notably those relating to exclusive rights in Article 28, by showing that the obligation to provide a patent term of not less than twenty years from the filing date, unlike the other obligations in Section 5, is an "integral part"<sup>52</sup> of the "acts" of granting and filing.

76. The Panel's description of Canada's argument, a description which Canada specifically endorses in its appellant's submission<sup>53</sup>, is as follows:

[U]nlike 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.<sup>54</sup>

Responding to this argument, the Panel said:

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.<sup>55</sup>

77. We agree. Article 70.2 applies the obligations of the *TRIPS Agreement* to "all subject matter existing ... and which is protected" on the date of application of the *TRIPS Agreement* for a Member. A Member is required, as from that date, to implement *all* obligations under the *TRIPS Agreement* in respect of such existing subject matter. This includes the obligation in Article 33. We see no basis in the text for isolating or insulating the obligation in Article 33 relating to the duration of a patent term from the other obligations relating to patents that are also found in Section 5 of the *TRIPS Agreement*. There is nothing whatsoever in Section 5 to indicate that the obligation relating to patent term in Article 33 differs in application in any respect from the other obligations in Section 5. An obligation that relates to duration must necessarily have a beginning and an end date. On that ground alone, it cannot be argued that the obligation is attached to, and arises uniquely from, certain "acts". Although Canada has not done so, it could just as easily be argued that the exclusive rights under Article 28 are also an "integral part" of the "act" of granting a patent, as those rights also can arise only from the grant and consequent existence of a patent.

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<sup>52</sup>Oral statement of Canada at the Second Panel Meeting, para. 66, Panel Report, p. 145. See also response of Canada to question 37 from the Panel, Panel Report, p. 161.

<sup>53</sup>Canada's appellant's submission, para. 222.

<sup>54</sup>Panel Report, para. 6.28.

<sup>55</sup>*Ibid.*, para. 6.53.

78. We note, furthermore, that, despite the presence of several other paragraphs in Article 70 that provide clarifications or exceptions to the general rules set out in paragraphs 1 and 2, none of these other paragraphs states that the obligation in Article 33 has a different status from the other obligations in the *TRIPS Agreement*. Sometimes the absence of something means simply that it is not there. And, in our view, the distinction that Canada sees between the obligation in Article 33 and the other obligations in Section 5 is not contemplated by the *TRIPS Agreement*: it is not there.

79. For all these reasons, we conclude that Article 70.2, and not Article 70.1, of the *TRIPS Agreement* applies to inventions protected by Old Act patents and to the rights conferred by those patents, because they are "subject matter existing ... and which is protected" on the date of application of the *TRIPS Agreement* for Canada. We, therefore, conclude that Canada is required to apply the obligation contained in Article 33 of the *TRIPS Agreement* to Old Act patents.

## **VI. Article 33 of the *TRIPS Agreement***

80. Having concluded from our examination of Article 70 that the measure at issue in this appeal does fall within the scope of coverage of the *TRIPS Agreement*, and having concluded that Canada is, therefore, required to apply the obligation in Article 33 of the *TRIPS Agreement* from the date of application of the Agreement for Canada, we must next ask whether Canada has done so.

81. Canada appeals the Panel's finding that Section 45 of Canada's *Patent Act* is inconsistent with Article 33. Canada argues that the Panel misinterpreted Article 33 in two principal ways: first, in finding that there is no textual or contextual support for the view that Article 33 requires Members to provide patent holders with a term of "effective" protection<sup>56</sup>; and, second, in adopting a "specialized, extra-ordinary and obsolete meaning"<sup>57</sup> of the word "available" that excludes consideration of the various administrative steps in Canada's patent-granting procedure from being used to calculate the earliest date on which the term of protection of a patent may expire.

82. The application of Article 33 to Section 45 of Canada's *Patent Act* raises a preliminary issue with respect to Canada's interpretation of the term "available" in Article 33. In the context of Section 45 of Canada's *Patent Act*, we are persuaded that the Panel was correct in finding that whether a patent term ending not earlier than twenty years after filing was "available" *at the time of filing and grant of the patent under the Old Act* is irrelevant in examining the consistency of

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<sup>56</sup>Panel Report, para. 6.92.

<sup>57</sup>Canada's appellant's submission, paras. 4, 117, 136, 150 and 151.

Section 45 with Article 33 of the *TRIPS Agreement*.<sup>58</sup> The procedures regarding the "availability" of a patent term before the date of application of the *TRIPS Agreement* for Canada relate to "acts which occurred" *before* the date of application of the Agreement and are, therefore, under Article 70.1, not subject to the obligations of the Agreement.

83. That said, we will nonetheless examine the arguments of Canada relating to the notion of "availability". We will look first at the meaning of Article 33. Then we will examine whether Section 45 of Canada's *Patent Act* is consistent with Article 33.

84. We begin with the text of Article 33 of the *TRIPS Agreement*, which states:

The term of protection available shall not end before the expiration of a period of *twenty years counted from the filing date*. (emphasis added)

85. In our view, the words used in Article 33 present very little interpretative difficulty. The "filing date" is the date of filing of the patent application. The term of protection "shall not end" before twenty years counted from the date of filing of the patent application. The calculation of the period of "twenty years" is clear and specific. In simple terms, Article 33 defines the earliest date on which the term of protection of a patent may end. This earliest date is determined by a straightforward calculation: it results from taking the date of filing of the patent application and adding twenty years. As the filing date of the patent application and the twenty-year figure are both unambiguous, so too is the resultant earliest end date of the term of patent protection.

86. Section 45 of Canada's *Patent Act* provides that:

... 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*. (emphasis added).

87. The meaning of Section 45 is straightforward. Section 45 defines the term of patent protection in terms of the starting date (the date of "issue" of the patent) and of a duration (seventeen years). These terms are unambiguous. As a result, so too is the end date of patent

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<sup>58</sup>The Panel stated:

According to Article 65.1, Canada became obligated to apply Article 33 on 1 January 1996. In our view, no Member can implement an obligation by reference to a state of affairs which ceased to exist in respect of Old Act patents at the time the obligation to make available a term of protection that does not end before 20 years from the date of filing became applicable.

See Panel Report, para. 6.120.

protection. It is derived through simple calculation: the date of issue of the patent plus seventeen years.

88. Article 33 requires a Member to make a term of protection "available". Canada argues that Section 45 of its *Patent Act* makes "available", on a sound legal basis, a twenty-year term to every patent applicant because, under the Canadian regulatory practices and procedures, every patent applicant has statutory and other means to control and delay the patent-granting process. The Panel rejected this argument, and interpreted the word "available" in the following terms:

*Black's Law Dictionary* defines the word "available" as "having sufficient force or efficacy; effectual; valid" and the word "valid" in turn means "having legal strength or force...incapable of being rightfully overthrown or set aside." The dictionary meaning of the word "available" would suggest that patent right holders are entitled, as a matter of *right*, to a term of protection that does not end before twenty years from the date of filing.<sup>59</sup>

89. The Panel concluded that:

... the discretionary nature of both a patent examiner's authority to grant informal delays as well as the Commissioner's power to grant statutory delays so as to allow patent applicants to obtain a term of protection that does not end before 20 years from the date of filing does not make available, as a matter of right, to patent applicants a term of protection required by Article 33.<sup>60</sup>

90. We agree with the Panel that, in Article 33 of the *TRIPS Agreement*, the word "available" means "available, as a matter of right", that is to say, available as a matter of legal right and certainty.

91. The key question for consideration with respect to the "availability" argument is, therefore, whether Section 45 of Canada's *Patent Act*, together with Canada's related regulatory procedures and practices, make available, as a matter of legal right and certainty, a term of protection of twenty years from the filing date for each and every patent. The answer is clearly in the negative, even without disputing the assertions made by Canada with respect to the many statutory and other informal means available to an applicant to control the patent process. The fact that the patent term required under Article 33 can be a by-product of possible delays in the patent-granting process does not imply that this term is available, as a matter of legal right and certainty, to each and every Old Act patent applicant in Canada.

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<sup>59</sup>Panel Report, para. 6.102.

<sup>60</sup>*Ibid.*, para. 6.109.

92. To demonstrate that the patent term in Article 33 is "available", it is not sufficient to point, as Canada does, to a combination of procedures that, when used in a particular sequence or in a particular way, *may* add up to twenty years. The opportunity to obtain a twenty-year patent term must not be "available" only to those who are somehow able to meander successfully through a maze of administrative procedures. The opportunity to obtain a twenty-year term must be a readily discernible and specific right, and it must be clearly seen as such by the patent applicant when a patent application is filed. The grant of the patent must be sufficient *in itself* to obtain the minimum term mandated by Article 33. The use of the word "available" in Article 33 does not undermine but, rather, underscores this obligation.

93. Canada also appeals the Panel's rejection of the view that Article 33 embodies a notion of "effective" protection. This notion, advanced by Canada, would allow a different end date from that specified in Article 33, so long as the result was equivalent "effective" protection measured from the date of grant of the patent to its expiry.

94. Taking note of the clear wording of Article 33, the Panel concluded that:

In relation to the equivalence argument, we find that the term of protection under Section 45 is inconsistent with the minimum standard of Article 33 of the *TRIPS Agreement* because, within the calculation of the average period of effective protection, there are Old Act patents with a term of protection that ends before 20 years from the date of filing.<sup>61</sup>

95. The text of Article 33 gives no support to the notion of an "effective" term of protection as distinguished from a "nominal" term of protection. On the contrary, the obligation in Article 33 is straightforward and mandatory: to provide, as a specific right, a term of protection that does not end before the expiry of a period of twenty years counted from the filing date.

96. In support of this notion of "effective" protection, Canada argues that Article 33 must be read conjunctively with Article 62.2, which recognizes the fact that the length of the patent-granting process invariably involves some curtailment of the period of protection. According to Canada, so long as patents are granted "within a reasonable period of time" and there is no "unwarranted curtailment of the period of protection", Article 33, when read with Article 62.2, permits a Member to provide a term of "effective" protection that is equivalent to the nominal term of twenty years from filing prescribed in Article 33.<sup>62</sup> As the American, European and Canadian patent offices take, on an

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<sup>61</sup>Panel Report, para. 6.100.

<sup>62</sup>Canada's appellant's submission, paras. 90-91 and 94.

average, from four to five years to grant a patent<sup>63</sup>, this period must, in Canada's view, be regarded as "a reasonable period of time", and, therefore, the term of seventeen years from the grant of the patent that is provided under Section 45 of Canada's *Patent Act* must be regarded as "equivalent" to the term of twenty years from the filing of the patent application that is prescribed by Article 33.<sup>64</sup>

97. We see no merit in this argument of Canada. Article 62.2 deals with procedures relating to the acquisition of intellectual property rights. Article 62.2 does not deal with the duration of those rights once they are acquired. Article 62.2 is of no relevance to this case. This purely procedural Article cannot be used to modify the clear and substantive standard set out in Article 33 so as to conjecture a new standard of "effective" protection. Each Member of the WTO may well have its own subjective judgement about what constitutes a "reasonable period of time" not only for granting patents in general, but also for granting patents in specific sectors or fields of complexity. If Canada's arguments were accepted, each and every Member of the WTO would be free to adopt a term of "effective" protection for patents that, in its judgement, meets the criteria of "reasonable period of time" and "unwarranted curtailment of the period of protection", and to claim that its term of protection is substantively "equivalent" to the term of protection envisaged by Article 33. Obviously, this cannot be what the Members of the WTO envisaged in concluding the *TRIPS Agreement*. Our task is to interpret the covered agreements harmoniously.<sup>65</sup> A harmonious interpretation of Article 33 and Article 62.2 must regard these two treaty provisions as distinct and separate Articles containing obligations that must be fulfilled distinctly and separately.

98. In assessing the consistency of Section 45 with Article 33, we observe that the term of patent protection set out in Section 45 is seventeen years from the date on which the patent is granted, while the term of patent protection required by Article 33 is a minimum of twenty years from the date of filing. Thus, Section 45 will meet the minimum standard prescribed in Article 33 only if the period between the filing and the issue of the patent (the "pendency period", during which a patent application is examined) is equal to or greater than three years. This may not always be the case, since the "pendency period" may be *less* than three years in many cases. In fact, in this case, Canada has provided uncontested evidence that 66,936 patents existing on 1 January 2000, about 40 per cent of the Old Act patents then in force, end earlier than required under Article 33, by virtue of Section 45.<sup>66</sup>

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<sup>63</sup>Canada's appellant's submission, para. 71.

<sup>64</sup>*Ibid.*, paras. 51 and 59.

<sup>65</sup>Appellate Body Report, *Korea – Definitive Safeguard Measure on Imports of Certain Dairy Products*, WT/DS98/AB/R, adopted 12 January 2000, para. 81; Appellate Body Report, *Argentina – Footwear Safeguards*, *supra*, footnote 39, para. 81.

<sup>66</sup>Panel Report, para. 2.9.



99. We find, therefore, that the Panel correctly interpreted Article 33 of the *TRIPS Agreement*, and correctly found that Section 45 of Canada's *Patent Act* is inconsistent with Canada's obligations under Article 33 of the *TRIPS Agreement*. Consequently, we uphold the Panel's finding that a term of protection that does not end before twenty years counted from the date of filing is not available under Section 45 of Canada's *Patent Act*, and that, accordingly, Section 45 is inconsistent with Article 33 of the *TRIPS Agreement*.

100. In conclusion, we wish to point out that our findings in this appeal have no effect whatsoever on the transitional arrangements found in Part VI of the *TRIPS Agreement*. The provisions in Part VI establish *when* obligations of the *TRIPS Agreement* are to be applied by a WTO Member and not what those obligations *are*. The issues raised in this appeal relate to what the obligations are, not to when they apply.

101. Also, we note that our findings in this appeal do not in any way prejudice the applicability of Article 7 or Article 8 of the *TRIPS Agreement* in possible future cases with respect to measures to promote the policy objectives of the WTO Members that are set out in those Articles. Those Articles still await appropriate interpretation.

## **VII. Findings and Conclusions**

102. For the reasons set out in this Report, the Appellate Body:

- (a) upholds the conclusion of the Panel that Article 70.2, and not Article 70.1, of the *TRIPS Agreement* applies to inventions protected by Old Act patents because such inventions are "subject matter existing ... and which is protected" on the date of application of the *TRIPS Agreement* for Canada and, consequently, Canada is required to apply the obligation contained in Article 33 of the *TRIPS Agreement* to Old Act patents; and
- (b) upholds the finding of the Panel that a term of protection that does not end before twenty years counted from the date of filing is not available under Section 45 of Canada's *Patent Act*, and that, accordingly, Section 45 is inconsistent with Article 33 of the *TRIPS Agreement*.

103. The Appellate Body recommends that the DSB request Canada to bring Section 45 of its *Patent Act* into conformity with Canada's obligations under the *TRIPS Agreement*.

Signed in the original at Geneva this 11th day of August 2000 by:

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Julio Lacarte-Muró  
Presiding Member

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James Bacchus  
Member

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A.V. Ganesan  
Member