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**CANADA – TERM OF PATENT PROTECTION**

**AB-2000-7**

*Report of the Appellate Body*



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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

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## 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 act



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

*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.



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.

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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

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

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,





### 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

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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

55. Article 70.1 provides that, where such "acts" "occurred" before the date of application of the

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 *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.

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

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* provides that "a treaty does not have retroactive effect unless it is otherwise provided for".

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>

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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*

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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

Article

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