Modernization of Intellectual Property Legislation and Administration in the Context of the TRIPS Agreement

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This paper considers some options and alternatives for modernization of national intellectual property legislation and administration in a TRIPS context. The perspective is primarily a Canadian one, based on the experiences of the author in the implementation of both the North American Free Trade Agreement (NAFTA), which preceded the TRIPS Agreement, and the TRIPS Agreement itself.

Canada, for the past decade, has been a direct participant in three separate international negotiations seeking either trade harmonization and liberalization, or the creation of free trade areas.

Trade liberalization was, of course, the objective of the now-concluded multi-lateral negotiations under the GATT Uruguay Round, which resulted in the agreement on trade-related aspects of intellectual property rights (TRIPS). In addition to its active participation in the GATT, Canada had previously successfully concluded a free trade agreement (FTA) with the United States in 1988, and had negotiated a North American Free Trade Agreement (known as NAFTA) with both the United States and Mexico, in 1992.

The differences between TRIPS and NAFTA might best be viewed, in the short term, as differences in scope, rather than nature. TRIPS, as we know, is multi-lateral in nature: it offers access to a large number of markets and holds the potential of great results in the long term. NAFTA, or free trade on a more limited 'regional' basis, offered the prospect of shorter-term success as fewer diverse interests were involved and the focus was on

markets which are closer and therefore were of most immediate interest.

In the Canadian experience, the impact of TRIPS and free trade on intellectual property rights (IPR) and administration are similar enough to safely ignore a distinction. Author will identify whether specific requirements affecting intellectual property protection emanate from the TRIPS or NAFTA initiatives. However, it is the Canadian experience, as regards the changes to or 'modernization' of our legislation and administration in the context of these initiatives (TRIPS and NAFTA), that is the subject of this paper. Before getting into that discussion, it is worth looking at the recent evolution of the international intellectual property system in general.

The consideration of intellectual property in trade negotiations is relatively new. Historically, international intellectual property negotiations took place under the auspices of WIPO and the participants in those negotiations were, predominantly, experts in intellectual property rather than experts in economic or trade policy.

Thus, there are only a few, limited intellectual property provisions in the first Canada-United States free trade agreement, i.e. FTA. These addressed protection for the cable re-transmission of broadcast signals; protection for the names "Bourbon" and "Canadian Whisky"; and a broad commitment to cooperate in the Uruguay Round.

In contrast, in the NAFTA negotiations, and subsequently in the TRIPS Agreement, a great deal of attention was given to the relationship between intellectual property and trade. In both of these instances, the objective was to establish minimum levels of protection and to establish provisions for the enforcement of intellectual property rights.

This represents a very significant change in international attitudes. Why is this the case? The answer appears to lie in a changing global attitude to intellectual property itself.

World-wide, economic progress is highly dependent upon international trade. Business interests and business competitiveness are, by necessity, the foundation for and the forces driving trade policies.

Over time, growth and sustained prosperity are achieved through the continuous innovation of new concepts. New ideas lead to new products and to new markets. New ideas lead to new uses for existing products, and they lead to the more efficient and effective use of existing products in standard applications. Increasingly, governments and business are recognizing that these 'ideas'—intellectual property—have the potential to create markets, to open access to, and win markets, and to maintain markets.

Faced with intense and unprecedented competition, business and governments have come to realize that firms with knowledge of state-of-the-art technology, of technology ripe for development, or with a knowledge of viable but unprotected technologies have a distinct advantage over their rivals. Intellectual property rights and intellectual property information contribute to that advantage.

Markets that permit the efficient and effective use of product information, and markets that operate under rules of governance conducive to informed consumption, production and transaction decisions, possess a performance advantage. Intellectual property rights and information contribute to improved market performance.

In its most beneficial form, the 'business' of intellectual property is the business of applying intellectual property information to acquire a competitive edge in changing the
best, most up-to-date concepts available world-wide into more and better products, more informed markets, more investment, more trade and economic growth.

Intellectual property was included in the Uruguay Round as the result of concerns that the laws and enforcement procedures in many countries were not adequate to safeguard IPR. Intellectual property protection is viewed as essential to ensuring an equitable international environment for trade, investment, technology transfer and economic development.

Negotiations did not proceed without difficulty. Some countries opposed inclusion of intellectual property rights in the GATT. In the initial stages of the negotiations, much time was consumed discussing whether an agreement should contain any provisions at all dealing with intellectual property.

As negotiations progressed, attitudes changed, in some cases quite dramatically. Although there was less than unanimous agreement, views among developed and developing countries drew closer. There was growing recognition that having adequate intellectual property protection is important, indeed, that it is critical to investment, innovation and national economic development.

The North American Experience

As mentioned earlier, the differences between TRIPS and NAFTA can be viewed as differences in scope, rather than nature. In fact, the issues negotiated and agreed to under NAFTA were, to a large extent, based on those which were being negotiated in the GATT Uruguay Round. It may be recalled that the GATT negotiations were suspended for a time after the publication of the so-called 'Dunkel Text' in December of 1991. Mexico, the United States and Canada entered into negotiations for a free trade agreement which concluded in the first half of 1992. An agreement was signed on 17 December 1992 and NAFTA came into effect on 1 January 1994.

Before considering some of the changes implemented in the Canadian intellectual property system, first by NAFTA and subsequently by the TRIPS Agreement, a brief look at the Canadian intellectual property context is warranted. Author will use patents as an illustration.

Over 85% of Canadian patents are granted to foreign applicants, whereas in most other industrialized countries, residents typically account for between 20 and 50% of the domestic patents applied for and granted. US creators contribute about 50% of the patents applied for and granted in Canada, followed by the European Community and Japan. In recent years about 10% of patents granted are to individual inventors and the remainder to enterprises. It is something of an understatement to say that Canada is a net importer of technology. Canadian industry is in reality highly dependent on technology developed elsewhere. We are in fact large importers of technology, and this is a situation that has not changed in a good many years, nor is it likely to do so in the immediate future. The National Research Council of Canada, which is a federally-funded research organization, has estimated that Canadians contribute less than 2% of the world's total technology or about 0.3% of the world's patented inventions.

Since Canada is such a large importer of goods and technologies which are protected by intellectual property rights, it follows that our strategies with regard to intellectual property must be supportive of the achievement of our national industrial and economic development priorities in this light. Intellec-
tual property rights within Canada must be sufficiently strong to stimulate investment as well as innovative and creative output, and at the same time meet international standards and obligations so that Canadian entrepreneurs can also benefit from effective protection of rights abroad. It is generally in this context that we have been evolving our legislation, administration and infrastructure.

Intellectual property was included in the NAFTA negotiations for the same reasons it had been included in the Uruguay Round. Intellectual protection was viewed as essential to ensuring a viable regional free trade agreement by establishing an equitable environment for trade, investment, technology transfer and economic development.

The NAFTA and TRIPS negotiations and agreements both necessitated changes to the Canadian intellectual property regime. The majority of changes were driven by NAFTA since this Agreement chronologically preceded the TRIPS Agreement. It is the totality of these changes which author would like to briefly highlight.

**Modernization of the Canadian Intellectual Property System**

First, in regard to copyright, under TRIPS all parties must comply with the current text of the Berne Convention which is the main international treaty governing copyright.

For Canada, changes were required to copyright law to address rental rights. Previously in Canada there were no rental rights for any copyright works. In essence, this meant that it was not an infringement of copyright for any person who had legitimately purchased a copyright work to rent that work commercially to others. Canada needed to introduce rental rights for both computer programs and sound recordings. Author would add that notwithstanding GATT and NAFTA, Canada had already announced its intention to introduce these rights in planned copyright legislative revisions. The required amendments were made in 1993.

TRIPS also required that Canada assure performers' rights and prevent unauthorized recording and copying of performances. This obligation would necessitate legislative changes in Canada, but again this is an area where changes to Canadian law had already been planned as part of future copyright revisions.

In regard to trademarks, there are a number of basic obligations relating to the subject matter to be protected, the rights conferred, the terms of protection, use requirements and conditions on licensing and assigning ownership.

For the most part, existing Canadian laws were consistent with the trademark provisions in the TRIPS and NAFTA agreements. One area in which they were not consistent, was in requirements pertaining to the use of trademarks. The Canadian Trademarks Act previously allowed for the summary deletion (expungement) of a trademark from the Canadian Trademark Register if its owner could not establish that the trademark was in use. Canada is no longer able to expunge a trademark for non-use, unless there has been an uninterrupted period of at least three years of non-use, as provided under TRIPS (Under NAFTA, this period was two years).

Under TRIPS, Canada must also provide protection for 'geographical indications' which, broadly defined, identified a good as originating in a territory, or a part of the territory, where quality, reputation or another characteristic of the good is essentially attributable
to its geographical origin. This includes traditional appellations of origin such as 'Champagne' and 'Cognac'. But it now also includes terms such as 'Swiss made,' where the linkage between the product and the place of origin is related to reputation despite the absence of a direct link to unique national characteristics (such as soil or climate).

Two levels of protection are now required: under the provisions of both TRIPS and NAFTA, a basic level of protection covering all products and, under TRIPS alone, a second, much stricter level for wines and spirits. The basic level essentially requires all geographical indications to be protected against any use which misleads the public as to the geographical origin of a good. Canadian law was already consistent with this obligation since protection against misleading uses of geographical indications was available in a number of ways (for example, registration of an indication as a certification mark under the Canadian Trademarks Act).

For wines and spirits, there is no, as a consequence of the TRIPS Agreement, much stronger protection to prohibit any use of geographical indications for wines or spirit other than those of the originating geographical area, regardless of whether the public is in any way misled. This is intended to prevent use of expressions such as "Canadian Champagne". These obligations required some significant changes in the existing Canadian legal regime in order to provide stronger protection for foreign appellations in Canada and to establish a Canadian regime for the protection of Canadian appellations abroad. The Canadian Trademarks Act now provides explicitly for the protection of geographical indications for wines and spirits.

With respect to industrial designs, both TRIPS and NAFTA obligations are fairly general in nature. There is no international consensus on how industrial designs should be protected, and there are a wide variety of different systems in place around the world. Nevertheless, the existing Canadian Industrial Design Act has been substantially changed in over a hundred years. Future modifications to the Act are planned to address the basic remedies available against making, selling or importing articles bearing or embodying an infringing design.

The area of patents was, by far, the most difficult and contested part of international, notably TRIPS, intellectual property negotiations. TRIPS negotiations have established: the criteria for obtaining patent protection; limits to the exceptions which can be made to patentable subject matter; the rights that must be conferred by a patent; the establishment of a minimum term of protection; and constraints on the use of compulsory licensing.

In the United States, patents are granted on a first-to-invent basis. The person who is considered to have reduced the invention to practice either by filing a patent application in the US Patent and Trademark Office, or by constructing a working prototype in the US. There was international concern that, by discriminating in favour of inventive activity taking place within the US, these provisions divert research and development and the transfer of technology to the US. The TRIPS Agreement and NAFTA do not require the US to change from a first-to-invent to a first-to-file system, but they do require the US to treat inventive activity in all TRIPS countries equally in determining who is the first inventor.

In addition to geographical discrimination, international pressure has prompted the elimination of discriminatory practices among technologies. This has had legisla-
tive implications for Canada in the area of compulsory licensing for pharmaceuticals. Prior to 1993, the Canadian Patent Act allowed for the immediate grant of compulsory licences for both the manufacture and importation of patented medicines. Canadian legislation was brought into line with other nations' legislation through amendments in 1993. These amendments eliminated compulsory licensing for patented medicines.

Although protection for integrated circuits was negotiated through a WIPO treaty in May 1989, the treaty is not in force. However, the provisions were largely incorporated into NAFTA and subsequently into the TRIPS Agreement. Canada passed an Integrated Circuit Topography Act in 1990 and brought the Act into effect in May of 1993. With the Act in place, Canada is in full compliance with international agreement requirements.

Finally, as regards the administration of intellectual property in Canada, a number of significant changes have taken place. Key among these changes has been large scale automation and the adoption of a modern businesslike approach to governance, organization and operations of the government entity primarily responsible for intellectual property in Canada. Thus, the Canadian Intellectual Property Office (CIPO) was set up in 1992 as a financially independent Special Operating Agency of the Government of Canada. CIPO is now part of Industry Canada, a department whose overall purpose includes improving Canadian firms' economic competitiveness in world markets.

As regards automation, CIPO has investigated approximately $100 million (CAD) in the automation of both its patent and trademark operations over the last eight years. Earlier this year a fully automated patent processing system was brought on line. The final phases of trademark, copyright and industrial design automation will begin shortly. These systems will enable CIPO to become virtually 'paperless' by the end of the decade and will allow it to inter-connect effectively with any global electronic intellectual property system or network created in the future.

"Modernization" for Developing Countries

The measures author has described constitute the most significant changes to intellectual property protection in Canada arising from TRIPS and free trade initiatives over the past several years. Some of his observations with regard to legislative and administrative modernization in the TRIPS context in Asia and particularly South Asia, are given below.

Firstly, in amending legislation, or creating new legislation, or modernizing the ways in which laws are administered, it is vitally important to keep national public policy goals and objectives clearly in view. The TRIPS Agreement anticipates this and allows considerable leeway in this regard.

Article 7 of the TRIPS Agreement, which sets out the 'Objectives' of the Agreement, states:

"The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations".
Thus, the drafting of legislation (new and/or amended) and regulations, as well as the design of administrative procedures as well as changes to implementing organizations should be carried out in this 'enabling' context of TRIPS, to achieve national public policy goals and objectives. Several brief examples of TRIPS Agreement-specific requirements which can be used to illustrate this concept might include the following.

Article 8 of the TRIPS Agreement, entitled 'Principles', allows Members to adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development. The Article also allows Members to take appropriate measures to prevent abuse of intellectual property rights or the resort to practices which "unreasonably restrain trade or adversely affect the international transfer of technology". These measures must be consistent with the provisions of the TRIPS Agreement. These provisions go beyond the Paris and Berne Conventions, neither of which contain comparable statements, and should be of particular interest to developing country Members.

Article 29.1 of the TRIPS Agreement states that Members shall require an applicant for a patent to fully disclose their invention and may require applicants to give indication of the best mode of carrying out the invention. This provision in the Agreement, effectively implemented and administered, would enable a Member to focus on ensuring that the disclosure of an application will serve usefully the Member’s technological information transfer needs. By ensuring that applications describe inventions sufficiently clearly and completely, so that these inventions can be used immediately as a basis for further invention and, upon expiry of the patent, can be effectively replicated, a Member would be ensuring that the patent system contributed directly to its technological development in two ways. The patent system would serve to contribute to a climate conducive to investment in science and technology by providing valuable rights having a high presumption of validity. Secondly, and equally importantly, the patent system would serve as a valuable source of useful state-of-the-art technological information and knowledge from around the world to be exploited domestically by the Member.

In a similar fashion, Article 29.2 provides Members the opportunity to avoid the need to duplicate the search and examination of applications which have been filed or granted in other countries. This provision of the Agreement would enable a Member to exploit the intellectual effort which has already been invested in a foreign jurisdiction to determine the novelty, inventiveness and utility of a corresponding application for patent. Adoption of this feature in modernized legislation would allow a country Member to focus its search and examination resources on the granting or refusal of rights and on ensuring that new knowledge disclosed in the applications is effectively and efficiently disseminated to its nations, in the interest of domestic industrial and economic development.

The provisions of Section III of the TRIPS Agreement, which related to the enforcement of intellectual property rights, are also important to keep in focus when preparing amendments to legislation, new legislation, and particularly administrative procedures at the national level. The principles set out in Article 41 call for Members to provide effective procedures for the enforcement of intellectual property rights under the Agreement. These procedures must, inter
alia, include expeditious remedies to prevent infringement and to deter future infringement, and must not create barriers to legitimate trade or allow abuse. The provisions must be fair and equitable, but not unnecessarily complicated or costly. A Member has no obligation, however, to put in place a special judicial system for the enforcement of intellectual property rights, or to modify its existing distribution of resources between enforcement of intellectual property rights and the enforcement of law in general. The importance of fair and efficient administration of intellectual property laws in establishing investor confidence in a Member's intellectual property system cannot be overstated.

Finally, Part VI 'Transitional Arrangements,' sets out provisions for 'Technical Cooperation,' in Article 67. This Article creates an obligation on developed country Members to provide, on request and on mutually agreed terms and conditions, technical and financial cooperation in support of developing country Members to facilitate the implementation of the TRIPS Agreement by the latter.

Additionally, with regard to 'Technical Cooperation,' it should also be noted that WIPO has, and will continue to have, a permanent programme for development cooperation for developing countries. WIPO has indicated that it remains at the disposal of any developing country, including the least-developed countries, upon request, to provide advice on legislation and for assistance in institution and development of human resources. WIPO will also provide such assistance to developing country Members of the World Trade Organization (WTO) which are not Member States of WIPO and that WTO will provide assistance to developing country Members States of WIPO which are not Members of WTO.