CANADA'S IMPLEMENTATION OF THE TRIPS AGREEMENT

A Paper by the Department of Justice, Canada

1. The purpose of this report is to provide a brief history of Canada's legislative implementation of the TRIPS Agreement, which is part of Canada's obligations as a member of the World Trade Organization.

URUGUAY ROUND

2. The Uruguay Round[1] established the World Trade Organization (WTO) and replaced the "old" GATT[2] as the common institutional framework for the conduct of trade relations between member states. The *Agreement on Trade-Related Aspects of Intellectual Property Rights*, or as it is more commonly known, "TRIPS", can be found in Annex 1A to the WTO Agreement and is part of a single undertaking which becomes binding upon WTO members when they join that Organization.

3. Intellectual Property Rights (IPRs) were not part of the GATT prior to the Uruguay Round. However, the major economic powers considered them to be necessary for the business certainty required for investment decisions in foreign markets. The United States was particularly concerned with the software, sound recording and pharmaceutical industries; Japan, with the semiconductor industry; and the European Community, with geographical indications for wines and spirits. Thus, effective and adequate protection and enforcement of IPRs became a major objective of the TRIPS Agreement.

4. Moreover, the TRIPS Agreement has achieved what traditional IPR conventions had been unable to do in more than a century, i.e. implementation of IPR protection on an almost global basis. For example, the *Berne Convention for the Protection of Literary and Artistic Works* (Berne Convention), which was originally signed in 1886 by 10 countries, required until 1988 to reach a membership of 77 countries. By way of contrast, the TRIPS Agreement (which incorporates by reference the substantive provisions of the Berne Convention), was negotiated in eight years and counts 124 countries[3] as its members.

TRIPS AGREEMENT

5. The TRIPS Agreement is divided into seven parts: general provisions and basic principles; standards concerning the availability, scope and use of intellectual property rights; enforcement of IPRs; acquisition and maintenance of IPRs and related inter-partes procedures; dispute prevention and settlement; transitional arrangements; and institutional arrangements/final provisions. Canada was already in compliance with many of these provisions, as a result of the North American Free Trade Agreement (NAFTA). The principal changes for Canadian legislation were for geographical indications for wines and spirits (TRIPS, articles 23 and 24) and copyright, including article 18 of the Berne Convention (dealing with retrospective copyright protection) and TRIPS, article 14, (dealing with neighbouring rights).

NAFTA

6. In December, 1991, in an effort to bring closure to the GATT Uruguay Round, Arthur Dunkel, the then Director-General of the GATT, proposed a *Draft Final Act*[4], which included the TRIPS Agreement in a form which varied only slightly from the final text signed at Marrakesh. Much of the Dunkel text was included in the text of

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1 *The Final Act of the Uruguay Round and the Marrakesh Agreement Establishing the World Trade Organization* (April 12 - 15, 1994).

2 *General Agreement on Tariffs and Trade*. One of the annexes to the new Marrakesh Agreement Establishing the World Trade Organization is the *General Agreement on Tariffs and Trade, 1994*. In an organizational sense, the World Trade Organization replaces the *General Agreement on Tariffs and Trade, 1947*, but the substantive obligations of that GATT, 1947 agreement survive in the form of the GATT, 1994 agreement.

3 including the European Community

4 *Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods (Annex III)*, GATT Doc. MTN.TNC/W/FA (December 20, 1991). In Daniel, Al J., Jr. "Intellectual Property in the Uruguay Round: the Dunkel Draft and a Comparison of United States Intellectual Property Rights, Remedies and Border Measures." *International Law and Politics*, Vol. 25, p. 751.

the NAFTA[5] and subsequently implemented through the NAFTA implementation legislation.

7. Thus, through the NAFTA implementation bill[6], the *Copyright Act* was amended so as to extend protection to works "resulting from the selection or arrangement of data" (TRIPS, article 10(2); NAFTA, article 1705(1)(b)); a rental right was provided for computer programmes and cinematographic works (TRIPS, article 11; NAFTA, article 1705(2)(d)); and border measures were added for the importation of works which infringed copyright (TRIPS, article 51; NAFTA, article 1718). The *Patent Act* was amended to bind the Crown, and conditions were imposed upon the Crown's use of patented technologies (TRIPS, article 31; NAFTA, article 1709(10)). The *Trademarks Act* was amended to repeal its registered user provisions and to make recognition of the use of a trademark by another person conditional only upon the control of the owner of that trademark (TRIPS, article 19(2); NAFTA, article 1708(9)). In addition, amendments were made to the *Fertilizers Act*, *Food and Drugs Act*, and *Pest Control Products Act* in order to deal with confidential information provided to government regulatory agencies (TRIPS, article 39; NAFTA, article 1711).

8. During the same period, Canada passed the *Patent Act Amendment Act, 1992*,[7] which repealed compulsory licensing provisions for pharmaceutical products, thereby ensuring that patent rights would be "enjoyable without discrimination as to ...the field of technology" (TRIPS, article 27(1); cf. NAFTA, article 1709(1)).

GEOGRAPHICAL INDICATIONS

9. Articles 23 and 24 of the TRIPS Agreement deal with geographical indications for wines and spirits and, in effect, allow the co-existence of the current European system of *appellations contrôlées*[8] and the American system of labelling regulations administered by the Bureau of Alcohol, Tobacco and Firearms (BATF) of the United States Department of Commerce[9].

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5 *North American Free Trade Agreement between the Government of Canada, the Government of the United Mexican States and the Government of the United States of America* (17 December, 1992)

6 *An Act to implelment the North American Free Trade Agreement*, Bill C-115, assented to 23 June, 1993

7 Bill C-91 (December 10, 1992).

8 Under the French system of categorizing wine, regulations have been developed over most of the course of the 20th Century for geographical-based *appellations contrôlées*. These regulations prescribe the grape varieties, agricultural and wine-making methods, and yields which must be followed in each zone which is authorized to use an *appellation contrôlée*. (See Robinson, J. *Oxford Companion to Wine*, p. 40-42). The French system was used as a model for European Community wine legislation, (wherein the term "quality wine" is used rather than *appellation contrôlée*), which requires member states to regulate the following factors: demarcation of the areas of production; vine varieties; cultivation methods; wine-making methods; minimum natural alcoholic strength by volume; yield per hectare; analysis and assessment of organoleptic (i.e., colour, clarity, smell and taste) characteristics. (See *Council Regulation (EEC) no. 823/87 of 16 March 1987*, as amended).

9 In the United States, subsection. 205(e) of the Federal Administration Act, 27 U.S.C., provides, in general terms, that wine labels shall not contain any statement that is false, deceptive, misleading, or likely to mislead the consumer regarding the product. In addition, that subsection authorizes the Secretary of Commerce to prescribe regulations that will provide the consumer with adequate information as to the identity and quality of the product. In 1938, the Secretary enacted the wine labelling regulations (27 CFR Part 4) for the use of designations having geographic significance, i.e., designations which are associated with wine produced in a specific geographic area. These designations were divided into three categories: (a) generic (for designations for specific kinds of wine which no longer have geographic significance, e.g., Vermouth); (b) semi-generic (for designations which may only be used for wines of the origin indicated in those designations, e.g., names of foreign states, counties, and wine-growing regions and viticultural areas, such as Rheingau, Muscat de Frontignac and Piemonte). The regulations also included lists for each category and a sub-list for (d) non-generic designations which were known to American consumers and trade as the designation of a specific wine of a particular place or region (e.g., Deidesheimer, Schloss Johannisberger, Chateau Lafitte, Chateau d'Yquem, Asti Spumante and Lacryma Christi). In 1983, the BATF undertook to expand the "c" and "d" lists, but this would have meant adding another 2,113 names to the "c" list and another 618 to the "d" list.

10. In respect of Canada, Annex 313 of the NAFTA already imposed an obligation to respect four names - Bourbon Whiskey, Tennessee Whiskey, Tequila and Mezcal - as distinctive products of the United States and Mexico respectively. These and other names, including several European designations (Scotch Whiskey, Irish Whiskey, Armagnac and Cognac) were contained in Division 2, Part B, of the *Food and Drug Regulations*. However, the above regulation is limited to a relatively small number of designations. To deal with geographical indications more generally, it was felt that IPR protection could best be assured through amendments to the *Trade-marks Act*.

11. Thus, section 11.12 was added for the purpose of creating a list of protected geographical indications (LPGI), to be kept by the Registrar of Trade-marks. Proposals for additions to the LPGI will be published in the Canada Gazette. Section 11.13 provides for an objection procedure for those additions. In practice, objections will be heard by the Trade-marks Opposition Board, and the sole ground for objection will be that the proposed addition is not a geographical indication within the meaning of the Act. Sections 11.14 and 11.15 prevent the adoption or use, as a trademark, of any name on the LPGI. Section 11.16 is an exception provision which allows for the use of a protected geographical indication in comparative advertising, other than on labels or packaging. Section 11.17 is a "grandfather" provision, which allows for the continued use of previously used geographical indications (as allowed by TRIPS, article 24(4)). Section 11.18 provides an exception (as per TRIPS, article 24(6)) for indications which are "identical with a term customary in common language in Canada as the common name for the wine or spirit" and includes a statutory list of "generic" indications for wines[10] and spirits[11]. This list may be amended from time to time by the Governor in Council. Section 12 was amended to prevent the registration, as a trademark, of a protected geographical indication for wines or spirits not associated with the territory of that geographical indication.

12. In terms of domestic Canadian geographical indications, a committee of the Canadian General Standards Board has been established to define the boundaries of Canada's wine-making regions and to prescribe the oenological practices and technical and labelling requirements for wines produced in Canada.

COPYRIGHT

13. The TRIPS Agreement[12] obliges member states to comply with the substantive provisions[13] of the Berne Convention[14], other than for moral rights[15], and to give national treatment to nationals of other WTO members in accordance with the connecting factors contained in the Convention[16]. Thus, Canada amended the definition of "treaty country" in its *Copyright Act* to include, in addition to members of the Berne Convention and the Universal Copyright Convention, WTO members as well. (It also repealed its compulsory licensing provisions for book publishing, which had the effect of imposing greater obligations on Canadian authors and copyright owners than on nationals of other treaty countries).

14. Article 70 of the TRIPS Agreement, which deals with protection of existing subject matter, provides that "...copyright obligations with respect to existing works shall be solely determined under the Berne Convention (1971)...". In other words, the status of works which exist in each WTO member, as of the date of application of the TRIPS Agreement, is to be determined by applying the principle of article 18 of the Berne Convention.[17]

Hence, the lists in the regulations continue to be limited to examples of names by country.

10 Champagne, Port, Porto, Sherry, Chablis, Burgundy, Bourgogne, Rhine, Rhin, Sauterne, Sauternes, Claret, Bordeaux, Chianti, Madeira, Malaga, Marsala, Medoc, Médoc, Moselle, Mosel and Tokay.

11 Grappa, Marc, Ouzo, Sambuca, Geneva Gin, Genièvre, Hollands Gin, London Gin, Schnapps, Malt Whiskey, Eau-de-vie, Bitters, Anisette, Curacao and Curaçao.

12 TRIPS, article 9(1)

13 i.e., articles 1 through 21

14 TRIPS, article 2(2) makes clear that the Berne Convention obligation refers to the Paris Act, 1971, text of that Convention. Canada has, as of the date of this writing, signed the Convention at the Rome Act, 1928, level and has yet to sign the Paris Act, 1971.

15 article 6bis

16 TRIPS, article 1(3)

17 "(1) This Convention shall apply to all works which, at the moment of its coming into force, have not yet fallen into the public domain in the country of origin through the expiry of the term

This article ensures that works which had not fallen into the public domain (through effluxion of time) in a WTO member state in which copyright protection was claimed upon that state's accession to the TRIPS Agreement, would be protected. Prior to 1 January, 1996, Canada's copyright legislation was silent on this point, and it was thus uncertain whether copyright protection would be granted to foreign works retrospectively in Canada. (The United States, in adhering to the Berne Convention, enacted that its copyright legislation would not "provide copyright protection for any work that is in the public domain in the United States",[18] which was arguably a violation of article 18 of the Berne Convention, since effluxion of time was not the only way works could fall into the public domain in that country).[19] As part of TRIPS implementation, both Canada and the United States amended their legislation to extend copyright protection retrospectively. In Canada's case, subsection 5(1.01) was added, in order to provide retrospective protection for pre-existing subject matter for nationals of WTO member states, but it was limited by new subsection 5(1.02) so as not to apply to works which had fallen into the public domain in their country of origin (by reason of the expiry of their term of protection), and by section 29, which allowed the Copyright Board to fix compensation for a person who had previously entered into legal arrangements for the use of a work which, by the addition of subsection 5(1.01), infringed the rights of an author or copyright owner.[20] These compensation provisions were based on article 18(3) of the Berne Convention.[21]

15. Article 14 of TRIPS dealt with neighbouring rights,[22] the first paragraph thereof requiring protection for performers. In this connection, Canada amended its *Copyright Act* by altering the definition of "performance" so as to exclude performing artists[23] and by adding a definition of "performer's performance". Furthermore, section 14.01 was added to provide protection for performing artists against the unauthorized fixation or subsequent reproduction of their performer's performances in sound recordings and against the unauthorized broadcast of their live performer's performances. Section 28.02 was added to allow for certain exceptions to the new performer's right, such as fair dealing. Section 28.03 was added to allow the Copyright Board to fix compensation for a person who entered into legal arrangements for the use of a performer's performance which, by the addition of section 14.01, infringes the rights of a performer or owner of the performer's right. Section 43.1 was added to impose criminal sanctions against infringers of the new performer's right, and section 44.2 was added to allow for border measures against the importation of infringing copies of performer's performances. Moreover, subsection 14.01(4) of the Act provides retrospective protection for performer's performances (TRIPS, article 14(6) and 70(2)).

16. With respect to the remaining neighbouring rights provisions of TRIPS article 14, producers of sound recordings in Canada already received protection for their works, through subsection 5(3) of the *Copyright Act*, which deals with copyright in "records, perforated rolls and other contrivances by means of which sounds may be reproduced" (TRIPS, article 14(2)). As for "rebroadcasting works by wireless means and communication to the public of television broadcasts of same" (TRIPS,

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of protection."...

18 *Berne Convention Implementation Act 1988*, s. 12

19 See Ricketson, Sam. "U.S. Accession to Berne: An Outsider's Appreciation (Part 2)." *Intellectual Property Journal*, Vol. 8, December 1993, p. 87.

20 The United States passed the *Uruguay Round Agreements Act*, s. 514 of which restored copyright protection in the United States for certain foreign works which were in the public domain in the United States because of non-compliance with formalities, lack of national eligibility or lack of subject-matter in the case of sound recordings fixed before February 15, 1972. Owners of these restored copyrights have the option of registering their claims to copyright with the United States Copyright Office. Owners who intend to enforce their rights against parties already actively exploiting these works ("reliance parties") must file notice of intent to enforce with the Copyright Office or serve actual notice of that intent against the party using those works.

21 "...the respective countries shall determine, each in so far as it is concerned, the conditions of application of this principle."

22 i.e., rights of performers, producers of sound recordings and broadcasting organizations.

23 The concept of "performance" of a work already has a well-established meaning in copyright law, e.g., playing a situation comedy on a large-screen television set in a shopping mall.

article 14(3)), Canada already provided copyright owners the possibility of preventing those acts.[24]

MISCELLANEOUS MATTERS

17. In implementing TRIPS, Canada also made a number of minor, technical amendments to its IPR statutes. The definition of "country" in the *Patent Act* was amended to include WTO member states (with the effect of allowing priority claims from WTO members which are not members of the Paris Convention[25] (TRIPS, article 1(3))). A comparable amendment was also made to the *Industrial Design Act*. The *Patent Act* was also amended so as to limit the compulsory use by the Crown of semi-conductor technology to public non-commercial use (TRIPS, article 31). A similar amendment was made to the *Integrated Circuit Topography Act*, in respect of layout designs for integrated circuits (TRIPS, article 37), that Act was made binding upon the Crown, and the protection of that Act was extended to nationals of WTO member states (TRIPS, article 3(1)). The *Trade-marks Act* was amended to include WTO member states in the definition of "country of the union" (TRIPS, article 3(1)) and to allow for the expungement of a trademark after three years of non-use[26] (TRIPS, article 19).

CONCLUSION

18. Canada, as a developed country, was required to implement the TRIPS Agreement by 1 January, 1996. Article 1 of the TRIPS Agreement allows for a fair amount of flexibility in terms of how a WTO member may implement its TRIPS obligations.[27] Canada was fortunate enough to have a well-established intellectual property regime in its various IPR statutes. Moreover, it had a well-developed common law in the areas of passing off and trade secrets as well as the *Civil Code of Quebecc* provisions on trade secrecy[28] and unfair competition.[29] Canada also had the advantage of having made significant amendments to its legislation as part of its implementation of NAFTA. Thus, Canada adopted a strategy which was to make only such changes to its laws as were necessary for the reasonable and effective implementation of the TRIPS Agreement. It also treated IPRs as private rights of action, so that, as much as possible, the engine of the state would not become involved in settling essentially private disputes between parties, which was considered to be costly and unnecessary. In implementing the TRIPS Agreement, Canada was interested in similar implementation changes which were being made by its NAFTA partners, particularly the United States, to their legislation, and was sensitive to the consequences that any Canadian legislative change would have upon Canadian nationals and industries.

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[24] *Copyright Act*, para. 3(1)(f), which gives the copyright owner the sole right "in the case of any literary, dramatic, musical or artistic work, to communicate the work to the public by telecommunication".

[25] *Paris Convention for the Protection of Industrial Property.*

[26] The previous period was two years.

[27] "...Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice."

[28] articles 1472, 1612 and 2088

[29] art. 1457