

However, in recent years there has been a growing acceptance, especially among advanced countries, that a common international standard to protect intellectual property is beneficial to growth in trade and investment. Successive rounds of tariff reductions since World War II initially brought about vigorous growth in international trade, but the growth of nontariff barriers in the 1970s and the 1980s partially offset the liberalization of trade that tariff reductions and greater discipline on some non-tariff mechanisms implied. If countries adopt different economy-wide patent terms, as suggested by economic theory, such a policy will increase the chances that countries will misuse the patent policy to create a nontariff barrier for excluding or limiting imports in some industries, or to attract foreign investment. Given that a growing number of countries are planning to adopt the present 20 year term as the patent norm, any temptation to make the patent policy captive to other objectives is surely misplaced. Even though the current 20 year norm may appear to be excessive in many instances, the benefits of ensuring a single standard for a given sector or economy-wide outweigh the costs of varying patent terms among countries.

Taking these factors into account, this Paper argues that, in an integrated world characterized by harmonized patent terms, if one advanced but moderate innovator country, such as Canada, implements a patent policy that differs from the common norm, that country could face retaliation from its major trading partners. Moreover, Canada's failure to follow the international norm in this area would weaken our case that Canada should be viewed as a preferred site for foreign and domestic investments. Given that patents are not central to innovation investment decisions in most industries, it will not be a favourable trade-off for Canada to opt for international pariah status among advanced countries. This would send the wrong signals to potential investors in Canada and lead us to forgo technology inflows in the sectors where patent protection is vital.

How should policy makers respond to suggestions of changes to the current patent system? First, there has to be international consensus on the merits of proposed changes. Second, patent protection should not differ across countries. Provided these two conditions are met, the analysis in this paper would support (a) a shorter rather than a longer patent norm for most industries, and (b) a patent regime that provides for variable patent terms depending on the industry concerned. To arrive at specific numbers for the appropriate patent term in each industry, further cost-benefit work across industries and countries is required.

In addition to patent term, scope of patent protection is also an important trade policy issue and is likely to take on increasing importance in future trade negotiations. The scope of a patent determines how different the competitors' products have to be before they are adjudicated to have infringed the patented product. If a patent is interpreted to provide wide coverage, then unpatented varieties of the product will infringe the patent. Broad