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United States Trade Alert Overview of Chapter 20 (Intellectual Property Rights) of the US-Mexico-Canada Agreement

October 2018

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On September 30, 2018, the United States, Canada, and Mexico reached a deal to replace the North American Free Trade Agreement (NAFTA) with a new trade accord, the United States-Mexico-Canada trade agreement (USMCA). Chapter 20 of the Agreement governs intellectual property (IP) matters including trademarks, trade secrets, copyright, and patents. It is modeled on the IP chapter in the Trans-Pacific Partnership (TPP), from which President Trump withdrew in January 2017.

Chapter 20 is highly technical and covers many different IP issues; its disciplines will therefore warrant thorough analysis to determine their specific implications for various regional stakeholders. This report, by contrast, provides a general summary of the IP chapter's most relevant provisions.

General Provisions

Collaboration.

Under Article 20.B.3, the three countries established a new Committee on IP Rights composed of government representatives from each country. This committee will deal with a wide range of IP cooperation issues, including approaches for reducing infringement and effective strategies for removing underlying incentives for infringement; strengthening border enforcement of IP rights; exchanging information on the value of trade secrets; enhancing procedural fairness with respect to choice of venue in patent litigation; and coordinating the recognition and protection of geographical indications. This is a new development. Such a committee does not exist under NAFTA, and was not included in the final TPP text.

Patents

Patent Law Treaty.

The USMCA requires the Parties either to give due consideration to ratifying or acceding to the Patent Law Treaty, or to adopt or maintain procedures standards consistent with the objectives of the Patent Law Treaty, which was concluded in 2000 (six years after NAFTA). This requirement will not require any changes for the United States (which ratified the treaty in 2013). However, Canada and Mexico have yet to accede or ratify the Treaty, though Canada has amended domestic patent laws to comply with the Patent Law Treaty, with the relevant provisions coming into force in 2019. A similar provision regarding the Patent Law Treaty was included in the TPP text, but did not require Parties to take action.

Patentable Subject Matter.

Under Article 20.F.1, "each Party shall make patents available for any invention, whether a product or process, in all fields of technology, provided that the invention is new, involves an inventive step and is capable of industrial application." While that language differs from the patentable subject matter language in US law, a footnote in the agreement notes that "[f]or the purposes of this Section, a Party may deem the terms 'inventive step' and 'capable of industrial application' to be synonymous with the terms 'non-obvious' and 'useful', respectively." This mirrors the NAFTA language, but the USMCA provides further clarification: "In determinations regarding inventive step, or non-obviousness, each Party shall consider whether the claimed invention would have been obvious to a person skilled, or having ordinary skill in the art, having regard to the prior art." This is also found in the TPP text.

Biologics.

Under Article 20.F.14, biologic medicines, which were not covered in NAFTA, will now be guaranteed market exclusivity protection for 10 years.[1] Currently, Canada provides eight years of guaranteed protection. Article 20.F.14 will require a period of market protection lasting at least 10 years from a product's date of first marketing approval. This concession, which Canada will have five years to implement, is widely viewed as Canada's most significant within the IP chapter. The United States pushed Canada and Mexico to give 12 years of protection, which is the current standard under US law. The TPP text had – controversially – provided two options for exclusivity. Under the first option, member nations could promise at least eight years of exclusivity. Under a second option, they could guarantee at least five years of exclusivity then rely on "other measures … and market circumstances … to deliver a comparable outcome."

Patent Term Adjustment for Unreasonable Granting Authority Delays.

The USMCA specifies that a Party shall provide adjustment of the term of a patent to compensate for Patent Office delays in issuing patents. Article 20.F.9 provides for adjustment of a patent's term to compensate for delays in issuance of a patent beyond five years from the date of filing or three years after an examination request, whichever is later. Practically, this change will provide greater protection to patentees forced to wait longer for patent issuance but may also make determination of a patent's expiry date more difficult. The United States has had such provisions in its patent laws for some 20 years, but patent term adjustment to compensate for Patent Office delay will be entirely new to Canadian patent law. Canada must implement its obligations under this provision within 4.5 years of the date the USMCA enters into force, whereas Mexico is required to comply with this obligation on the date the USMCA enters into force. The original TPP text also contained such a provision, but the eleven remaining TPP signatories chose to suspend the provision following the United States' withdrawal as a signatory. NAFTA contained a provision addressing delays, which stated that a "Party may extend the term of patent protection, in appropriate cases, to compensate for delays caused by regulatory approval processes."

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[1] That is, during the 10-year period after the date of first marketing approval of a new biologic, a Party generally must prohibit third persons from marketing the same or similar product on the basis of (1) undisclosed test or other data submitted by the person that obtained the initial marketing approval; or (2) the initial marketing approval granted to that person.

However, an entire article addressing patent term adjustment for unreasonable granting authority delays – with enforceable power – is new.

Publication of Patent Application.

Under Article 20.F.7, "each Party shall endeavour to publish unpublished pending patent applications promptly after the expiration of 18 months from the filing date or, if priority is claimed, from the earliest priority date." The use of "shall endeavour" (instead of "shall") means that this provision is non-binding, but it does call into question the current US practice, which allows a request for non-publication of patent applications until granted. This text mirrors language contained in TPP, but NAFTA did not contain a similar provision.

Copyright

Copyright Terms

Copyright terms in the United States and Mexico extend for 70 years and 100 years, respectively, beyond the year the creator of the work dies. Canada has a shorter term—50 years after the creator's death. Under Article 20.H.7, the USMCA will bring Canada's copyright terms in line with those in the US. This is similar to what was provided for under the TPP text. Under NAFTA, the protection ran for 50 years instead of 70.

Safe Harbors.

The USMCA contemplates "safe harbors" for internet service providers (ISPs). Under Article 20.J.10, such safe harbors will shield ISPs from liability for copyright infringements that they do not control, initiate or direct, but which take place through their networks. To be eligible for the safe harbor protection, ISPs will need to expeditiously remove or disable access to infringing content and implement a policy of terminating the accounts of repeat infringers. Notably, however, ISPs will not be required to monitor their networks for infringing activity. TPP contained similar "safe harbor" provisions, but NAFTA has no such text.

Balancing Rights between Users and Producers.

The TPP provision "Balance in Copyright and Related Rights Systems" required a party to endeavor to achieve balance in its copyright and related rights system, considering rights protection in light of the digital environment and legitimate purposes such as criticism, news reporting and access to published works by the visually impaired. The USMCA contains no such provision, nor does NAFTA.

Technological Protection Measures.

The TPP included provisions relating to electronic measures for protecting copyright, but these were suspended when the United States withdrew. The USMCA revives, and in some cases revises, these provisions. In particular, Article 20.H.11 on technological protection measures (TPMs) contains rules for situations in which infringement for good faith activities is permitted. NAFTA does not contain such provisions.

Trademarks

Domain Names.

USMCA Article 20.C.11 requires that each party have a domain name dispute mechanism modeled on the principles of the Uniform Domain-Name Dispute-Resolution Policy (UDRP) for its "country-code top-level domain (ccTLD) domain names." In addition, there must be adequate remedies, such as transfer or cancellation, for registration of a domain name that is confusingly similar to a trademark with a bad faith intent to profit. In addition, the USMCA requires each party to provide online public access to a reliable database of contact information for domain name registrants, subject to any policies regarding privacy and personal data. The TPP text provided similar provisions, which are not in NAFTA.

Pre-Established Damages for Trademark Infringement.

Regarding enforcement of marks, the countries must provide for either "pre-established damages" or "additional damages" (e.g., exemplary or punitive damages) in civil proceedings with respect to trademark counterfeiting. Pre-established damages must be "in an amount sufficient to constitute a deterrent to future infringements and to compensate fully the right holder for the harm caused by the infringement." Similar provisions were included in the TPP text, but not in NAFTA.

Trade Secrets

Protections Granted.

The USMCA provides, in Article 20.I, that "each Party shall ensure that persons have the legal means to prevent trade secrets lawfully in their control from being disclosed to, acquired by, or used by others (including state-owned enterprises) without their consent in a manner contrary to honest commercial practices." This is consistent with NAFTA, except for the insertion of an express reference to "state-owned enterprises". Article 20.I.1 and 20.I.2 further provide requirements that each country make available civil and criminal penalties for entities that violate the provisions. This is new compared to the corresponding NAFTA text, which vaguely states that parties "shall provide the legal means" to protect trade secrets. The TPP text, by contrast, provided for criminal penalties but not civil penalties.

Mimicking US Law.

The trade secret regime established in the USMCA is modeled on the United States' federal Defend Trade Secrets Act of 2016 and the Uniform Trade Secrets Act, which has been adopted by individual US states.

No Term Limit.

Under USMCA Article 20.I.1, a party cannot limit the term of protection for trade secrets. NAFTA contained a similar requirement. The TPP text did not contain such a provision.

No Judicial Disclosure.

Article 20.I.5 guides the judiciary's behavior on confidentiality in matters relating to trade secrets, as it prevents judges from disclosing information asserted to be a trade secret before allowing a litigant to make submissions under seal on their interest in keeping the information confidential. NAFTA and the TPP text did not contain a similar provision.

No Impeding.

Article 20.I.7 prohibits a party from discouraging or impeding the voluntary licensing or transfer of trade secrets. NAFTA contained the exact same language. The TPP text, did not provide such a provision.

Enforcement of IP rights

Deterrent Remedies.

USMCA Article 20.J.4 incorporates stronger language regarding statutory damages for infringement of IP rights, requiring that such damages be both deterrent and fully compensatory for the harm caused by the infringement. NAFTA contained a similar provision, but the USMCA contains more extensive protections and remedies.

Border Measures.

USMCA provides for more robust enforcement of intellectual property rights at the border, as compared to NAFTA. Under Article 20.J.6, a Party must authorize its customs officials to "initiate border measures ex officio against suspected counterfeit trademark goods or pirated copyright goods under customs control" that are imported, destined for export, in transit or admitted into or exiting from a FTZ or a bonded warehouse. Currently, "in transit" goods are off-limits and may not be detained. Moreover, under Article 20.J.6, customs officials will also be permitted to inspect, detain and destroy "suspected counterfeit trademark goods or pirated copyright goods" following a determination that the goods are infringing. Notably, these provisions do not require a court to make a finding of infringement. Rather, the provisions provide for "a procedure by which competent authorities may determine within a reasonable period of time after the initiation of the procedures . . . whether the suspect goods infringe an intellectual property right." If they do, then the goods will be destroyed or "disposed of outside the channels of commerce in such a manner as to avoid any harm to the right holder." Unlike NAFTA, USMCA makes such action mandatory, except in "exceptional circumstances." The language contained in USMCA is similar to that in the TPP text.

Criminal Offenses.

NAFTA contains protections for satellite signals, but USMCA expands on this language and provides more robust protections. Article 20.J.8 expands on the criminal and civil penalties for intercepting satellite signals or making equipment to facilitate such interception.

Outlook

US business groups representing IP-intensive industries already have praised the USMCA IP chapter as an improvement over past US trade agreements. For example, a coalition representing the US pharmaceutical, biotechnology, motion picture, publishing, and recording industries has praised the USMCA as a "historic achievement" and "a marked improvement of many of the intellectual property protections critical to innovators in the Trans-Pacific Partnership[.]" The Trump administration also has highlighted the chapter as one of its key achievements in the new Agreement. At the same time, some non-profit organizations and groups representing producers of generic pharmaceutical products have criticized elements of the chapter that they claim will reduce competition in the pharmaceutical industry, repeating similar criticisms raised against the TPP. As noted above, however, the USMCA's IP chapter is highly technical and will require extensive analysis to determine the new provisions' precise impact on North American businesses and individuals.

Click **here** to view the text of the USMCA.

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