

A need-to-know guide on IP in the U.S.-Mexico-Canada Agreement

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On October 1, 2018, the Government of Canada [announced agreement on a deal for a modernized NAFTA, to be called the United States-Mexico-Canada Agreement \(USMCA\)](#). Early reports are that Canada fared well in the agreement overall, that the Canadian auto industry was favoured over dairy farmers, and that Canada made significant concessions in the area of intellectual property. This assessment of the IP outcome is fair, although it is noteworthy that Canada had already made several of the same IP concessions in the Trans-Pacific Partnership (TPP). An assessment more favourable to the Government of Canada would be that Canada resisted the United States' more outlandish IP demands and sacrificed positions only on a few industry-specific items to drive a larger welfare-enhancing deal.

The IP chapter (posted on the [U.S. Trade Representative website](#)) is 63 pages long and will merit detailed studying, and its full implications will take years to understand. It is modelled on the IP chapter in the TPP, with revisions to reincorporate suspended provisions and add additional requirements. On a preliminary review, the most significant aspects of the IP chapter for Canada appear to be the following:

- 10-year data protection for biologics (Canada currently provides eight years)
- copyright term to last 70 years following the life of the author (Canada currently provides 50 years)
- restoration of patent term for Patent Office delays (new for Canada)
- significant criminal and civil trade secret safeguards that may require legislation
- border measures for counterfeit and pirated goods to apply to in-transit shipments
- no requirement for Canada to adopt notice-and-takedown regime for internet service providers

A more detailed summary of selected notable USMCA IP-related provisions that differ from the TPP (in order of appearance in the text) is included below.

General provisions

The USMCA creates an institutional framework for IP cooperation between the three members, including on issues not previously considered in trade agreements. Under Article 20.B.3 of the USMCA, a new Committee on IP Rights will be established that is composed of government representatives from the United States, Mexico and Canada. This committee will deal with a wide range of IP cooperation issues, including notably

- 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.

Trademarks

The trademark provisions proposed in the USMCA do not differ from those in the TPP. Canadian reform of the trademark system to incorporate international trademark treaties is already well underway.

Geographical indications

The USMCA has added several new procedural safeguards that a party must incorporate into its administrative process for the protection and recognition of geographical indications (GIs). Unlike for other types of IP, the United States favours narrow protection for GIs, in contrast to the European Union. The GI provisions are designed to limit availability of GIs where legitimate objections are raised.

The provisions added under Article 20.E.2 contribute to ensuring procedural fairness in administrative proceedings for opposing or seeking cancellation of GIs, by allowing sufficient time for interested persons to oppose GI applications and requiring written reasons in support of decisions made in opposition and cancellation proceedings.

Article 20.E.4 of the USMCA provides guidelines for determining if a term is the customary term or common name for a product within the U.S., Mexico or Canada. Additional factors to consider (beyond those included in the TPP) have been listed under this provision, including if the term is used in relevant international standards or if a significant quantity of a product has been imported from outside of the territory identified in a GI application. These additions to the customary term provisions are likely to make GI protection more restrictive.

Patents

Article 20.F.1 of the USMCA sets out patentable subject matter. A sentence under the analogous provision of the TPP allowing parties to restrict patent claims to new processes using a known product has been removed. Under the USMCA, a party may not limit claims for new processes of using a known product to those that do not claim the use of the product as such.

Provisions for adjusting terms of patent protection for Patent Office delays have also been incorporated into the USMCA. A similar provision was included in the TPP but was suspended when the United States withdrew from that agreement. 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. Canada will have 4.5 years to implement this change.

The provision linked most directly to healthcare costs is the guaranteed period of market protection for new biologic medicines. 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 is widely viewed as Canada's most significant within the IP chapter. Canada will have five years to implement this change.

Industrial designs

Article 20.G.2 of the USMCA incorporates a one-year grace period, as of the filing date, for disclosures of new industrial designs by the design applicant or by a person who obtained information from the design applicant. Disclosures made during that period will not prevent the issuance of an industrial design filed during the grace period.

Protection for industrial designs is guaranteed for at least a 15-year period through Article 20.G.4 of the agreement.

Canada has amended its *Industrial Design Act*, with the amendments coming into force later this year, and these new requirements are already incorporated in the new legislation.

Copyright

Article 20.H.6 of the USMCA provides the U.S., Mexico and Canada with the ability to tailor the legal rights held by performers and producers of phonograms in broadcasts through analog transmissions and other non-interactive means. However, unlike in the TPP, a subsection added to this article requires that any limitations on non-interactive transmissions must not prejudice the right of the performer or producer of phonograms to obtain equitable remuneration.

Article 20.H.7 provides for a term of copyright protection of not less than 70 years after an author's death and also provides two additional bases for calculating a term of protection, if not based on the life of a natural person. These copyright term extensions had been included in the TPP but were suspended when the United States withdrew. Canada will have 2.5 years to implement this change.

The provision of the TPP titled "Balance in Copyright and Related Rights Systems" was not included in the USMCA. This provision required a party to endeavour 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. Canadian copyright law is well understood as a balance between authors and users, and it is notable that the United States refused to include this type of policy statement in the USMCA.

Certain provisions relating to electronic measures for protecting copyright had been included in the TPP but were suspended when the United States withdrew. They have been reincorporated, and in some cases revised, in the USMCA. Article 20.H.11 deals with technological protection measures (TPMs). The TPM provisions of the USMCA appear to create stricter rules than the TPP in relation to permissible exceptions for good faith activities, listing specific non-infringing activities or circumstances. Another section that was reincorporated into the USMCA is Article 20.H.12, which deals with the protection of rights management information (RMI). This article defines RMI and requires a party to establish adequate and effective legal remedies in case of a misuse of RMI.

Trade secrets

Section 20.I of the USMCA includes detailed new provisions relating to trade secrets protection and enforcement through civil and criminal measures. Notable requirements for protection of trade secrets are as follows:

- Under Article 20.I.1 of the USMCA, a party cannot limit the term of protection for trade secrets.
- 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.
- Article 20.I.7 prohibits a party from discouraging or impeding the voluntary licensing or transfer of trade secrets.

The trade secret regime envisioned in the USMCA is modelled on the United States' federal *Defend Trade Secrets Act* of 2016 and the *Uniform Trade Secrets Act* adopted by individual U.S. states. It remains to be seen whether the trade secret requirements in the USMCA will require Canada or the provinces to adopt new legislation relating to trade secrets.

Enforcement of IP rights

Provisions have been added to the USMCA dealing with enforcement of IP rights and border control measures. 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.

Article 20.J.6 of this agreement deals with border measures for counterfeit and pirated goods. This issue had been addressed in a side letter of the TPP but has now been incorporated in the main text of the USMCA. The provision allows authorities to take control of suspected counterfeit or pirated goods in in-transit shipments and admitted into or exiting from a free trade zone or bonded warehouse.

Article 20.J.8 creates a criminal offence for intercepting satellite signals or making equipment to facilitate such interception. This provision had been suspended under the TPP.

One item which Canada did not concede relates to ISP liability. Article 20.J.11 requires legal remedies for instances of copyright infringement occurring online and safe harbours to limit the liability of internet service providers (ISPs). The language of this provision was tightened to limit when ISPs can benefit from safe harbours, requiring the service provider to adopt and reasonably implement certain policies and standard technical measures including a "notice-and-takedown" system, in addition to not receiving a direct financial benefit from infringing activities. Although the provision was incorporated into the USMCA text, an annex to the IP chapter is intended to clarify that Canada is exempt from the provision's application based on its current "notice-and-notice" system and other safeguards in Canadian copyright law.

Dispute resolution

A notable omission from the USMCA is a mechanism for investors to sue the Canadian government under an investor-state dispute mechanism (or for Canadian companies to bring

such a suit).

Investor-state dispute settlement chapters had been included reflexively in international trade agreements in the 1990s and 2000s, and Eli Lilly famously sued the Canadian government for \$500 million under the NAFTA investment chapter in relation to Canadian courts' application of the utility requirement in patent law. Although the USMCA contains the typical investor protections and provides for dispute resolution between member states, the USMCA has substantially limited the availability of investor-state disputes to cover only disputes between the United States and Mexico.

Conclusion

Although the parties have agreed in principle, the agreement is still subject to a final edit and domestic consultation periods. The agreement will then need to be ratified in each of the USMCA member countries. Given the stakes involved, industries and interests harmed by the deal have begun to respond and challenge the wisdom of the deal. However, in view of the importance of North American trilateral trade, ratification is expected.

Our colleagues' detailed account of what has and hasn't changed as a result of USMCA can be found [here](#).

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