

NAFTA 2.0 (NOW USMCA) – INTELLECTUAL PROPERTY LAW

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The renegotiated North American Free Trade Agreement among Canada, Mexico and the United States is a lengthy and complex document. Chapter 20, which deals with Intellectual Property, is itself some 63 pages in length. It refers to some dozen other international treaties on intellectual property law. The parties to the USMCA affirm that they are already party to five of them, and commit to become party to another six of these treaties by the date the USMCA comes into force.^[1]

1. Plus ça change, plus c'est la même chose

In the previous NAFTA, Chapter 17 dealt with intellectual property issues. While the wording in Chapter 20 of USMCA differs considerably from that of Chapter 17 of NAFTA, in many cases the essential content seems to be unchanged. For example, article 1716(4) of NAFTA requires the parties to provide that their judicial authorities have the power to grant provisional remedies ex parte (Latin meaning on one side only). The USMCA provision on provisional remedies Article 20.J.5 (1) provides that each party's authorities shall act on a request for relief inaudita altera parte (Latin meaning without hearing the other side). This sort of change makes lawyers nervous, as the presumption is that use of a different term indicates an intention to have a different meaning. In this case, the different term probably does not have a different meaning – it seems to be the result of copying a provision of the TRIPS agreement into the USMCA.

Another change from Chapter 17 of NAFTA to Chapter 20 of the USMCA likely does have consequences. In Chapter 17 of NAFTA, all three parties agreed to give effect to the substantive provisions of several intellectual property treaties, including the Berne Convention. While the United States has been a party to the Berne Convention since 1989, it has never implemented the provisions of that convention that create certain non-economic rights for authors, known as moral rights. These rights include the right of attribution including the right to remain anonymous, and the right to the integrity of the work. In an annex to Chapter 17 of NAFTA, the parties agreed that the commitment of the United States to give substantive effect to the Berne Convention created no rights and imposed no obligations on the United States with respect to moral rights. There is no equivalent exception with respect to moral rights in Chapter 20 of the USMCA, but it probably is not necessary, as the parties have only agreed to become parties to the listed treaties. Chapter 20 of the USMCA provides no obligation on the parties to give effect to the substantive provisions of the treaties listed in the Chapter. It is

beyond the scope of this article to get into a detailed discussion of international law and the implementation of treaties. However, generally, until a state enacts legislation to give effect to the obligations assumed by a treaty, it is not a part of that state's domestic law. Thus, the United States is in compliance with the terms of the USMCA because it has ratified the Berne Convention, even though it has not enacted the moral rights provisions of the convention into its domestic law. For this reason, the actual legislation that the parties to the USMCA enact to give effect to it and to the other treaties, they have agreed to ratify will be at least as important as the USMCA itself.

2. Many changes have been widely reported

The business press has described many of the changes made by the USMCA, including methods of providing extended monopoly protection to brand name drugs and certain agricultural chemicals. Reports also noted the agreement to extend the copyright term to 70 years following the end of the year of the author's death, which will increase the current term in Canada by 20 years. Lastly, the USMCA extends the concept of statutory damages, presently part of *Canada's Copyright Act*, to trademarks in cases of *counterfeiting*. This last change may not make a substantial change to Canadian law, as the courts have developed rules of thumb for estimating damages in *counterfeiting* cases. The question will be whether the pre-established damages that Canada's will enact in its enabling legislation differ substantially from the rules of thumb developed by the courts.

3. Some of the changes that haven't been widely reported

(a) Increased emphasis on criminal procedure

Other changes have not attracted as much coverage, including an emphasis on the parties providing for criminal remedies for infringement of copyright, trademarks and misappropriation of trade secrets. Canada has long had criminal offences in relation to copyright and trademarks. There are provisions in *Canada's Criminal Code* that can be used in cases of trade secret appropriation; however, these provisions will likely need to be extended to satisfy the obligations in Chapter 20.

There are several problems with using criminal proceedings to protect intellectual property rights. In order to secure a criminal conviction the prosecution must establish every element of the crime beyond a reasonable doubt. If the court is left with a reasonable doubt on a single element, it must acquit the accused. In civil proceedings, the plaintiff need only prove its case on a balance of probabilities. More to the point, any fine in a criminal proceeding goes to the government while the rights owner that brought the proceedings collects the damages in a civil case. While there are many reported convictions under the various criminal provisions, there are also many reported acquittals.

In civil proceedings the intellectual property rights owner hires its own lawyers, but in criminal proceedings public servants who usually have limited experience with intellectual property matters handle the prosecution. While it is possible to bring a private prosecution, the government has the right to take over such a private prosecution. In some cases, the outcome for the complainant that elected to use the criminal process has been devastating. In *R. v. Strong Cobb Arner of Canada Ltd.*^[2] the accused was charged with possessing “instruments designed or intended to be used in the forging of a trade mark, to wit: 16 sets of punches and dies bearing the trade mark “ROCHE””. The allegation was that the accused had used the dies to mark over a million counterfeit Valium^[3] tablets. Given the stakes, the accused had the wisdom to hire experienced intellectual property lawyers to defend it. Its lawyers managed to establish through the evidence that because of the manner in which the various “Roche” entities had used the ROCHE trademark in Canada, the mark had lost its distinctive character and could not be a trademark in law. Not only did the court acquit the accused, but it also found the complainant’s trademark to be invalid.

(b) The impending end of the reversionary interest in copyright

An element of current Canadian copyright law is the reversionary interest. Where the author is the first owner of copyright, s. 14 of the *Copyright Act* limits the ability of the author to sell his or her entire interest in the copyright. Whatever the wording of the agreement, s. 14 provides that 25 years after the death of the author, the title to the copyright reverts to the author’s estate^[4]. It appears that this element of Canadian copyright law is about to come to an end, as Article 20.H.10 of the USMCA provides that each Party shall provide that any person acquiring or holding any economic right in a work may freely and separately transfer that right by contract.

4. The practical impact of the changes will depend on the parties’ enabling legislation

As previously noted, Chapter 20 of the USMCA is a very complex document that can not easily be compared to Chapter 17 of NAFTA dealing with related subject matter. The full extent and impact of the changes introduced in Chapter 20 of the USMCA will only become fully apparent as each country begins to draft the legislation necessary to implement the changes to their domestic law.

by Peter E.J. Wells and Christie Bates

[1] The parties affirm that they have ratified or acceded to the *Patent Cooperation Treaty*, the *Paris Convention*, the *Berne Convention*, the *WIPO Copyright Treaty* and the *WIPO Performances and Phonograms Treaty*. The parties are committed to ratify or accede to the *Madrid Protocol*, the *Budapest Treaty*, the *Singapore Treaty*, the *International Convention for the Protection of New Varieties of Plants*, the *Hague Agreement* and the *Brussels Convention*. In Article 20.C.8 the parties also agree to adopt or maintain a trademark classification system that is consistent with the *Nice Agreement*.

[2] In *R. v. Strong Cobb Arner of Canada Ltd.*(1974), 45 DLR (3d) 145 (ONCA).

[3] Celebrated in the 1966 Rolling Stones' song "Mother's Little Helper".

[4] *Winkler v. Roy*, 2002 FCT 950.

A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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