

3 Oct  
2018

## “Very good for brand owners” – IP experts react to USMCA; INTA lauds deal as “major enhancement” over NAFTA

- Canada, Mexico and United States reach new trade deal covering over \$1tn in trade
- IP experts tell *WTR* they are broadly positive with stipulations in USMCA
- Improvements include “enhanced border measures”, GI section dubbed “limited”

Following the announcement of a new major trade agreement between Canada, Mexico and the United States, we reached out to IP experts to explore their views on the IP aspects of the new deal. The feedback we received was mostly positive, with the INTA regarding it as an improvement on the previous NAFTA agreement. However, it voiced disappointment that it doesn’t include a requirement for Canada and Mexico to join the Singapore Treaty.

As has been widely reported, it was announced on Monday that the United States and Canada, along with Mexico, had reached agreement on a new \$1tn trade deal to replace the current North American Free Trade Agreement (NAFTA). The new deal, called the United States-Mexico-Canada Agreement (USMCA), has extensive stipulations when it comes to IP, especially in relation to geographical indications, trademark infringement, pre-established damages, and border enforcement. Indeed, its dedicated [Intellectual Property Rights chapter](#) runs to over 60 pages, with a significant proportion dedicated to issues relevant to trademark practitioners.

Reaction to the USMCA has been mixed. It has been described as a mix of the NAFTA and TPP trade deals, with commentators claiming it leaves much of the previous NAFTA deal intact. Experts have noted that the biggest changes are in relation to dairy farmers and the auto industry, with uncertainty continuing over aluminum and steel tariffs.

When it comes to intellectual property, however, the first impression seems to be broadly positive. A spokesperson for the International Trademark Association (INTA) told *WTR* that the agreement is “far more detailed than its predecessor with respect to IP provisions”, adding: “It is a major enhancement over NAFTA and engages more in specifics, which is important for spelling out procedures that must be undertaken to afford more comprehensive IP protection to rights holders.” However, the association did express disappointment that there is no requirement for Canada and Mexico to join the Singapore Treaty if they have joined the Madrid System. However, the spokesperson vowed: “We will continue to urge both countries to join the Singapore Treaty as well.”

When it comes to the specifics of how the USMCA will help or hinder brand owners, we reached out to IP experts at law firms in Canada, Mexico and the United States. They shared their insights and opinions

about various aspects of the IP chapter, some of which we've shared below. We'll present a more detailed look into the implications for trademark rights holders in the coming weeks.

## On geographical indications

One of the IP aspects in the USMCA that has split opinion is in relation to geographical indicators. In [a statement](#), the US Trade Representative (USTR) claims that the USMCA will "provide important procedural safeguards for recognition of new geographical indications, including strong standards for protection against issuances of GIs that would prevent United States producers from using common names". Indeed, the section devoted to GIs provides an administrative framework for their recognition in all three countries, as well as mechanisms for their denial, opposition and cancellation – including the ability to object on the basis that a term is generic. This appears to reflect the United States' long-felt favouring of narrow protection for GIs, which is in stark contrast to the European Union.

According to [May M. Cheng](#), certified specialist in IP and partner at Osler in Canada, the text on GIs "arguably seeks to limit the impact of recognition for geographical indications negotiated in the trade agreement between Canada and the EU". That deal, the Comprehensive Economic and Trade Agreement (CETA), came into effect in September of 2017. Cheng continued: "For example, Article 20.E.5 of the USMCA expressly excludes a term, that is part of a multi-component term, from being protected as a geographical indication if it is a term customary in the common language as the common name for the goods in another country. The new sections also require Canada to notify the US of the intended recognition of a geographical indication so as to enable the US to object to or oppose the application if it believes a term should not be afforded protection as a geographical indication, potentially on the basis that the term is considered generic in the US as a common name for the goods."

Building on that point, [Mark K. Evans](#), a partner at Smart & Biggar/Fetherstonhaugh, notes that question marks now exist around future trade deals and GI protection. "While the USMCA provides that a country shall not preclude the possibility that the protection of a GI could cease, exceptions to these rules have been set out to protect GIs that became protected through previous international agreements," he explained. "This exception further confirms the protection of GIs that became protected through CETA, which are essentially immune to cancellation proceedings under the Trademarks Act. However, it appears that, in the future, Canada will not be able to protect GIs for agricultural product or food through bilateral or multilateral agreements without providing a mechanism to oppose and to remove from the list of protected GIs."

That risk for future GIs in Canada was also of concern to [Monique Couture](#), a partner at Gowling, who previously [wrote an article for WTR](#) where she predicted a "more nuanced" GI regime in Canada following the NAFTA renegotiation. "So it does appear that the CETA geographical indications have been 'grandfathered', in that they will not be the subject of cancellation proceedings under Canada's Trademarks Act. However, this protection does not appear to extend to future trade agreements, since GIs obtained moving forward are likely to be subject to opposition or cancellation proceedings. Notably, wine and spirits are exempt from objection procedures based on prior trademark rights, but this exemption does not extend to geographical indications relating to food or other agricultural products."

## On the border

The experts we spoke to also noted some of the changes the USMCA will provide in terms of border measures. Evans describes the changes as "much more than just a re-branding of NAFTA", explaining that customs staff should have more powers to identify and stop counterfeit goods. "Currently, 'in transit' goods are off-limits and may not be detained. But the new deal will give customs officials the authority to 'initiate border measures' against 'suspected counterfeit trademark goods or pirated copyright goods' that are imported, destined for export, in transit or admitted into or exiting from a free

trade zone or a bonded warehouse. These officials will also be able to initiate such 'border measures' without a request-for-assistance on file."

Another advantage Evans mentioned is that customs officials would also "be permitted to inspect, detain and destroy 'suspected counterfeit trademark goods or pirated copyright goods' following a determination that the goods are infringing – and notably, these provisions do not require a court to make a finding of infringement". Rather, he adds, "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' and if they do, 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'."

Cheng agrees that the USMCA provides "enhanced border measures" but notes that more effective anti-counterfeiting procedures at the border were already enacted in January 2015 as part of Canada's Combating Counterfeit Products Act. That legislation was designed to remove Canada of the USTR's Watch List, she explained, but Canada actually saw itself downgraded to the Priority Watch List in 2018. She adds: "The USMCA provisions specifically targeting transshipment of goods that were not part of the 2015 anti-counterfeiting legislation and would therefore require Canada to further upgrade its border regime with legislative changes and possibly enhanced powers for customs agents to seize and detain goods in transit. However, it remains to be seen if the enhancements to trademark protection result in meaningful changes to Canada's poor record on anti-counterfeiting and removal from the Watch List."

## On trademark law

Finally, there are some stipulations in the IP chapter that could have implications for trademark law. For example, [Jorge Leon](#), a partner at C&L Attorneys in Mexico, says that the USMCA "will certainly follow the guidelines set by NAFTA and with the new amendments to the Mexican Trademark and Patent Law that recently came into force". This, he says, is positive for practitioners in Mexico. "The country has certainly moved forward with up-to-date amendments in connection with non-traditional Marks and the new validity window for designs, which should result in an increase number of applications being filed".

In Canada, most of the stipulations are already implemented, explains Cheng. "Many of the trademark protections have been on the books for many years, such as procedural objections in the trademark prosecution process that allow for objections by the examiner and oppositions by interested third parties on the basis of confusing similarity to other trademarks, descriptiveness or that are potentially misleading to consumers as to the place of origin."

However, there are some key advancements, especially around the recognition of well-known or famous trademarks. There could be obstacles to ensure compliance in this regard, Cheng states. "Arguably, Canada already has in place common law recognition for well-known marks that would comply with the provisions of Article 20.C.5 that require the ability to prohibit the use of or refuse an application for a mark that is identical or confusingly similar to a well-known mark. However, it may be argued that the intent of the drafters is to seek added protections in light of the Canadian Supreme Court decisions in [Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée](#) and [Mattel, Inc. v. 3894207](#), two significant decisions that failed to uphold well-known marks in the face of potential infringements in Quebec by small businesses operating in different channels of trade than the famous brand owners. This means legislative amendments to Canadian trademark laws would be required to overcome the types of arguments that were unsuccessful in the Supreme Court of Canada to ensure that the owners of the well-known marks might prevail."

Further significant legislative changes could be required in Canada, according to Evans. "It appears likely that Canada will need to implement legislation to permit the registration of 'collective marks, and in relation to enforcement of marks, the country will need to implement a system that provides for 'pre-established damages' in civil trademark proceedings that 'shall 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'. This will be welcomed by brand owners as Canada has been long overdue in implementing statutory damages for trademark infringement.”

There are, of course, more elements in the text of the USMCA that will be relevant to trademark practitioners. Overall, though, Evans describes the deal as “very good for brand owners”, while Couture was a little more hesitant, saying that “the devil is undoubtedly in the details”. That is true, and the ultimate effects for rights holders will only be seen when the countless stipulations of this wide-ranging trade deal are passed and implemented (which will take upwards of five years). For now, though, the consensus seems to be cautiously optimistic.

## Tim Lince

Senior reporter  
World Trademark Review  
[tlince@GlobeBMG.com](mailto:tlince@GlobeBMG.com)



## TAGS

[Trademark law](#), [Anti-Counterfeiting](#), [Enforcement and Litigation](#), [Government/Policy](#), [North America](#), [Canada](#), [United States of America](#)