U.S.-Mexico-Canada Agreement: Business Insights On Intellectual Property Issues

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On September 30, 2018, Canada, the United States and Mexico reached an agreement on what is essentially a revised NAFTA. The new agreement will be renamed the United States-Mexico-Canada Agreement (USMCA). For preliminary insights on the USMCA, please see our previous publication. The text of the agreement is currently undergoing a legal review for accuracy, clarity, and consistency. This note focuses on the intellectual property issues in Chapter 20, the provisions of which are not expected to change substantively.

General Information and Key Changes

While the majority of the intellectual property chapter is consistent with the current Canadian intellectual property regime and the anticipated new trademark regime that will likely come into force in early 2019, Canada will be required under the USMCA to make a number of significant changes to its intellectual property laws. The key changes include:

- Increasing data protection for biologic drugs from eight years to ten years;
- Providing for a patent term adjustment for delays at the patent office in issuing patents;
- Increasing copyright protection by 20 years, from life of the author plus 50 years to life of the author plus 70 years.

What Do the Intellectual Property Provisions of the USMCA Mean to Businesses?

Patents

Patent Term Adjustment

The USMCA will require Canada to provide to patent owners an adjustment to their patent term to compensate for unreasonable delays at the patent office in issuing the

patent. The adjustment is meant to compensate for such delays, although the treaty text does not mention a minimum or maximum term for such an adjustment.

An unreasonable delay is defined to include a delay in issuance of the patent of more than five years from the date of filing or three years from request for examination of the application, whichever is later.

Parties are allowed to exclude periods of time that do not occur during processing or examination, and periods of time that are not directly attributable to the granting authority, as well as periods of time that are attributable to the patent applicant.

This adjustment period is not limited by industry or patent classification. As a result, it should be available to all patentees in Canada.

This patent term adjustment will apply to all patent applications filed after the date of entry into force of the Agreement, or two years after the signing, whichever is later for that Party. Thus, it will not apply to all pending patents. Furthermore, Canada will have 4.5 years from the date the agreement enters into force to implement these provisions. As a result, it may be some time before we know more precisely how Canada will give effect to these adjustments.

Data Protection for Biologic Drugs

The USMCA will also require Canada to increase data protection for new pharmaceutical products that are or contain a biologic. The new period will be ten years from the date of first marketing approval of the product in Canada.

A “biologic” is defined as “a product that is produced using biotechnology processes and that is, or alternatively, contains, a virus, therapeutic serum, toxin, antitoxin, vaccine, blood, blood component or derivative, allergenic product, protein or analogous product, for use in human beings for the prevention, treatment, or cure of a disease or condition”.

The text appears to provide a transition provision with a limited exemption to the new ten year data protection period. To fall within this exemption:

- the third party (biosimilar) request must be made by March 23, 2020;
- Canada must already have other biosimilars approved in the same class, and they must have been approved on the basis of a third party comparison to the confidential information submitted or the marketing approval itself; and
- those previous approvals must have been made prior to the date the Agreement enters into force in Canada.

Essentially, it seems that if a biosimilar manufacturer files its submission prior to March 23, 2020 and another biosimilar in the same class is or was approved prior to the date the Agreement enters into force in Canada, the current eight year data protection will apply, rather than the new ten year period.

Canada has until five years after the date the Agreement enters into force to implement this obligation. However, based on a cross-cutting provision on the application of the chapter to existing subject matter, it appears that these provisions should apply to

biologics that have already been approved and whose data protection period has not expired, subject to the exception noted.

Copyright

Terms of Copyright Protection

The USMCA will require Canada to increase the length of copyright protection in a work by 20 years, from life of the author plus 50 years to life of the author plus 70 years. The rights for performances and sound recordings will need to be extended by five years, from 70 to 75 years.

The change in protection terms may provide significant economic benefits to copyright owners, particularly if there is significant value in the copyrighted material. On the other hand, it may increase costs of business for users intending to use soon-to-be expired copyrighted materials.

The timing of this change will be particularly interesting with respect to copyrighted materials that will be expiring in the next few years, as Canada will have a 2.5 year period to implement this obligation following the date of entry into force of the USMCA. If copyright expires before the changes come into effect, it appears that the expired materials will remain in the public domain.

Criminal Remedies for Rights Management Information

The USMCA requires both civil remedies and criminal procedures and penalties to be applied for (1) circumventing technological protection measures (TPM) and (2) altering or removing Rights Management Information (RMI) without the owner's consent.

Currently, the *Copyright Act* provides both civil and criminal implications for circumventing TPMs but only civil remedies for altering or removing RMI. The potential criminal consequences can act as a deterrent against alteration and removal of RMIs for commercial gains, which would likely benefit copyright owners including the media and photographers.

Trademarks

Expected Changes: The USMCA requires the Parties to ratify or accede to a number of international trademark treaties, such as the *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks* and the *Singapore Treaty on the Law of Trademarks*. Canada has been working on modernizing its trademark system to ratify these treaties and the new regime is currently anticipated to come into force in early 2019.

Other Potential Changes: The USMCA also addresses protection of "collective marks" (marks for members of an associate or collective) and "well-known marks". Whether future legislative changes will be required will likely depend on Canada's position on how these marks could be protected under the upcoming new regime.

Geographical Indications

Current Regime: Geographical indications (GI) are already protected under the current trademark regime in Canada with respect to wines, spirits, and a number of food and agricultural products. The existing regime appears to be consistent with the requirements set out in the USMCA, including the existence of administrative procedures for protecting GIs and for any interested person to oppose or cancel a geographical indication.

Enforcement of Intellectual Property Rights

Existing Measures: The USMCA contains provisions pertaining to the enforcement of IP rights and border control measures. It appears that the current regime is largely in compliance with the USMCA, including provisions that relate to the power of the judicial authorities or other competent authorities in handling counterfeit trademark goods or pirated copyright goods.

In Transit Goods: Currently, the Canada Border Services Agency (CBSA) has the authority to detain suspected goods on their own accord without the need for an IP rights owner to report suspected import or export of infringing goods. The USMCA requires that for imports and exports, the competent authorities will have the power to initiate border measures against goods that are in transit and admitted into or exiting from a free trade zone or a bonded warehouse. This will provide brand owners and copyright owners with another potential avenue for enforcement in Canada.

This article is one in a series of analyses and commentaries by BLG's experts on specific aspects of the USMCA text. Our Intellectual Property and International Trade and Investment lawyers are well-placed to provide you with practical strategic and operational advice on how the USMCA may affect your business. For more information, please contact the authors.

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