February 14, 2018

Ambassador Robert E. Lighthizer
U.S. Trade Representative
Executive Office of the President
600 17th Street, NW
Washington, DC 20508

Re: NAFTA Renegotiation: ABA IPL Section Comments

Dear Mr. Ambassador:

On behalf of the American Bar Association (“ABA”) Section of Intellectual Property Law (the “Section”), we respectfully submit our comments on the renegotiation of the North American Free Trade Agreement (“NAFTA”) for your consideration. The views expressed herein are presented on behalf of the Section of Intellectual Property Law. They have not been approved by the House of Delegates or the Board of Governors of the American Bar Association and, accordingly, should not be construed as representing the position of the Association. We respectfully request that our concerns be raised with your Canadian and Mexican counterparts, to the extent you have not already done so in the negotiation rounds to date. On behalf of the Section, I would be pleased to answer any questions that USTR has regarding these comments, as well as to testify at any future hearings or other public fora that the USTR or U.S. Government might hold pertaining to the issues addressed by these comments.

I. EXECUTIVE SUMMARY

Given the importance of adequate and effective trade secret and IPR protection and enforcement to so many U.S. companies and to the U.S. economy as a whole, and the many current gaps in such protection and enforcement in Canada and Mexico, a modernized NAFTA must address as many of those deficiencies as possible. A modernized NAFTA should also take account of best-practice international norms of protection and enforcement and avoid overly prescriptive solutions specified in previous FTAs that have not stood the test of time, with the goal of opening these important trading-partner markets to U.S. intellectual property materials. A modernized NAFTA should retain the current NAFTA’s Investor-State Dispute Settlement Systems (ISDS). A modernized NAFTA should also ensure that Parties are not “free to adopt” an interpretation of the conditions for patentability set out in Article 1709(1) that obviates, compromises or otherwise lowers the minimum standards of patent protection. Finally, a modernized NAFTA should include robust digital trade protections to ensure that US-based digital products and services have full and fair access to Canadian and Mexican digital markets, given the importance of digital trade to U.S. intellectual property rightsholders and the historic trade surpluses that these goods and services produce.
The Section’s specific recommendations for each area, and the reasoning behind them, are set forth in detail below but can be summarized as follows:

**Trade secrets:** With respect to trade secret protection, the Section’s key recommendations for a renegotiated NAFTA are as follows:

- It should prohibit any Party from requiring that trade secrets be reduced to a tangible form. Unfortunately, Article 1711(2) of the current NAFTA expressly permits parties to impose such an additional requirement, and Mexico does so in Article 83 of its Industrial Property Law.

- It should require that all Parties enact national laws regarding protection of trade secrets, as the U.S. recently did by enacting the Defend Trade Secrets Act.

- It should require that all the Parties have criminal penalties and procedures for trade secret violations, as contained in the U.S. Economic Espionage Act (“EEA”) and in the text originally negotiated for the Trans-Pacific Partnership Agreement ("TPP").

**Trademarks:** With respect to trademark protection, the Section’s key recommendations for a renegotiated NAFTA are as follows:

- It should require repeal of the amendments relating to the Canadian Trademarks Act that allow an applicant for a trademark to obtain a registration without showing or alleging use.

- It should require amendment of the provisions of Mexican law which require the visibility of a trademark.

- It should require each Party to provide adequate financial and other resources to customs officials to deal with all aspects of IP enforcement.

- It should require each Party to ensure that customs enforcement officers receive additional training to identify counterfeits.

- It should require each Party to provide a simplified procedure for destruction of uncontested counterfeit goods without any requirement to initiate court proceedings.

- It should require each Party to implement the method of proceeding set out in article 18.76 of the TPP, including the alternative option of disclosure of information, to allow for sharing of information relating to uncontested counterfeit goods and in-transit goods.

- It should require each Party to give its customs officials the authority to detain, seize and destroy uncontested counterfeit goods in transit or transhipment to other countries.

**Copyright:** With respect to copyright protection, the Section’s key recommendations for a renegotiated NAFTA are as follows:

- Its copyright provisions should be based upon the copyright provisions in the U.S.-Korea
Free Trade Agreement (KORUS), updated as described below.

- For the reasons explained below, it should not include KORUS’s requirement that each Party adopt the equivalent of Section 512 of the U.S. Digital Millennium Copyright Act (DMCA), nor should it include the specific language in the original TPP (in Section 18.66) calling for each Party to have “balance” in copyright systems. Instead, it should use high-level language, still consistent with U.S. law, requiring each Party to establish intermediary liability and appropriate limitations on such liability consistent with effective protections for each Party’s rightsholders. If a more specific approach is required, it should require each Party to have an ISP liability framework that provides “best practice” legal incentives for ISPs to cooperate with rightsholders (and specifically, to require ISPs to take action when they become aware of infringing activity on their services), and that confines limitations on damages liability to ISPs that truly assist rightsholders in fighting infringements and do not control, initiate or direct infringements.

- It should explicitly require that each Party’s exceptions and limitations to exclusive rights comply with the internationally recognized three-step test.

- It should include a requirement that each Party provide aiding and abetting liability for all criminal copyright offenses and meaningful injunctive relief in civil cases.

- It should ensure that all Parties take immediate steps to implement and ratify their obligations under the WIPO Digital Treaties and that they complete the process of harmonizing the duration of protection for copyright in accordance with the modern-day international standard of the life of the author plus 70 years.

- It should, at a minimum, review the existing NAFTA’s “cultural exception” for Canada with a view to improving U.S. rightsholders’ access to the Canadian market for copyrighted works.

**Patents: With respect to patent protection, the Section’s key recommendations for a renegotiated NAFTA are as follows:**

- It should not cede or enable a Party to lower the minimum standards of patentability. The conditions for patentability set out in Article 1709(1) provide that patents shall be available “for any inventions, whether products or processes, in all fields of technology, provided that such inventions are new, result from an inventive step (to be non-obvious) and are capable of industrial application.” These conditions must be understood to set a minimum, commonly understood threshold. Parties cannot self-define the conditions to lower the minimum standards of patent protection.

- It should protect medicinal innovation during the regulatory review process through a mandate that all Parties adopt periods of patent term restoration that are at least equivalent to those provided under U.S. law.

**Regulatory Exclusivity: With respect to regulatory exclusivity, the Section’s key recommendation for a renegotiated NAFTA is as follows:**

- It should establish periods of protection for regulatory data (“data exclusivity”) for small and large molecule drugs, drugs for the treatment of certain rare diseases, and new indications that are at least equivalent to those periods provided for in the United States.
ISDS: With respect to the investor-state dispute settlement system (“ISDS”) issue, the Section’s key recommendation for a renegotiated NAFTA is as follows:

- It should preserve ISDS provisions of the existing NAFTA so as to maintain accountability and an adequate enforcement mechanism for investors.

Digital Trade: With respect to digital trade issues, the Section’s key recommendations for a renegotiated NAFTA are as follows:

- The Parties should not be permitted to impose customs duties on digital products and services (e.g., software, music, video, e-books).

- The Parties should be required to provide non-discriminatory treatment of digital products and services transmitted electronically and to guarantee that these products and services will not face government-sanctioned discrimination based on the nationality or territory in which such products and services are produced.

- No Party should be permitted to impose measures that restrict cross-border data flows, to require the use or installation of local computing facilities, nor to require the disclosure of a company's proprietary algorithms as a prerequisite for trade opportunities.

II. DETAILED DISCUSSION--TRADE SECRET ISSUES

The Section believes that a renegotiated NAFTA should reflect the growing recognition globally of the importance of trade secret protection, as reflected in the recent passage of the U.S. Defend Trade Secrets Act (“DTSA”), the EU’s Trade Secret Directive, and reforms to the trade secret laws of several countries. Several research studies have shown that trade secrecy is the form of intellectual property that is most widely and strongly relied upon by businesses to protect their assets. As this Administration has recognized, trade secrets are also increasingly vulnerable to state-sponsored economic espionage as well as misappropriation by unscrupulous competitors and departing employees.

The Section urges that trade secret protection in NAFTA be consistent with trade secret protection available under U.S. law under the DTSA. U.S. businesses and investors need to be assured that their investments in R&D, innovative processes and formulas, and other valuable confidential business information are just as safe across the borders with our closest trading partners as they are in the United States. As a matter of global competitiveness, the members of NAFTA should look to the example of the EU, where the Trade Secret Directive was motivated by the economic benefits of consistent, reliable trade secret protection among trading partners.

The Section recommends focusing on three significant improvements to NAFTA and national laws, as applicable, that would lead to more effective, reliable, and consistent trade secret protection within the NAFTA territories.

First, the Parties should amend NAFTA to prohibit parties from imposing additional requirements for trade secret protection, such as a requirement that trade secrets be reduced to a tangible form. Unfortunately, Article 1711(2) of the current NAFTA expressly permits parties to impose this additional requirement by stating that a “Party may require that to qualify for protection a trade secret must be evidenced in documents, electronic or magnetic means, optical discs, microfilms,
films or other similar instruments.” This provision essentially adopted the language of Article 83 of Mexico’s Industrial Property Law, which remains the law in Mexico today.

This additional qualification on trade secret protection is a significant and outdated exception to trade secret protection. As recent OECD research shows, trade secret laws have significantly strengthened around the world in the decades since the adoption of NAFTA.¹ What once may have been a tolerable exception now represents a large deviation from the norm. Mexico stands alone among OECD members in imposing an explicit requirement for documentary evidence. In fact, of the nearly 40 countries studied by the OECD, only Russia and China, which the OECD found to have some of the least effective trade secret laws, maintain such a requirement in fact or law.

The difficulty with a documentary evidence requirement is that it misunderstands the nature of trade secrets and thus presents a potential obstacle to protecting the rights of trade secret owners. A trade secret does not arise when it is embodied in a tangible medium of expression, as in the case of a copyrighted work, nor is it defined by claims in an application reviewed and granted by an intellectual property office, as in the case of a patented invention. Rather, a trade secret is first truly defined when the owner goes to court to enforce it. While the trade secret owner will need to describe the trade secret with sufficient clarity in its pleadings and establish its existence in court, it is a mistake to require it to be evidenced in a particular tangible form. For example, for reasons of security, a trade secret owner may divide a formula or process into multiple parts, some or all of which may be known only to particular individuals and only retained in their memories.

Similarly, an employee doing research for their employer may make specific, valuable discoveries that should be proprietary to the employer, rather than part of the employee’s general skills and knowledge, without reducing them to writing. A trade secret owner should be able to establish the existence of such trade secrets through all available means, rather than through the existence of a particular tangible embodiment. Indeed, maintaining such documentation may threaten the security of a trade secret.

Second, the lack of a national law in Canada represents a weakness that could well be remedied. While the U.S. might be seen as a recent convert on this point, given the very recent adoption of the DTSA, the DTSA was adopted for good reasons. Congress was motivated by the business community’s need for certainty and uniformity provided by codification in a single Federal statute. Indeed, USTR has noted the value of such a statute for other countries in its own annual Special 301 Reports. Given the growing recognition of the importance of trade secrets, it would be helpful to have such a single statute.

Third, revising NAFTA to add text providing for criminal penalties and procedures for trade secret violations, as contained in the U.S. Economic Espionage Act (“EEA”), would provide an essential tool for trade secret owners to protect their trade secrets. The Section notes that the text negotiated in the TPP providing for criminal penalties and procedures to protect trade secrets would serve this purpose well. While criminal trade secret laws such as the EEA are typically used sparingly, they are truly needed when they are used. Governments have powers and expertise not available to private parties to investigate and prosecute trade secret misappropriation. A trade secret owner that finds itself the victim of sophisticated economic

espionage, particularly where it is state-sponsored, often finds itself vastly outmatched. The assistance of law enforcement in conducting searches, surveillance, and sting operations, as well as making arrests, levels the playing field in such cases.

III. DETAILED DISCUSSION--IP ISSUES

A. Trademark Issues

Canada

As we said in our letter of October 6, 2017 to Elizabeth Kendall, the Acting Assistant U.S. Trade Representative for Innovation & Intellectual Property (copy attached), the amendments relating to the Canadian Trademarks Act that allow an applicant for a trademark to obtain a registration without showing or alleging use (Sections 330, 339, and 345) should be repealed or not brought into force for the reasons set out in that letter.

Mexico

The provisions of Mexican law which require the visibility of a trademark should be amended to allow for the registration of non-traditional marks including marks relating to a particular color, sound, animated image or a taste or a smell. This is consistent with article 18-2, paragraph 1 of KORUS.

Border Measures

Adequate financial and other resources should be provided to custom officials to deal with IP enforcement including investigation, prosecution and hiring and training of an adequate number of custom officers so the public can be protected. We believe this is important on a practical basis and is consistent with the obligations contained in ACTA Chapter II, article 28.

Custom enforcement officers should receive additional training to identify counterfeits. Many rights holders and industry associations are prepared to provide training at no charge but officials have not accepted these offers. Once again we believe this is consistent with the obligations contained in ACTA Chapter II, article 28 and 29.

There should be a simplified procedure to permit the destruction of uncontested counterfeit goods without the requirement of initiating court proceedings. This is important since without such procedures a rights holder is faced with the costs of initiating proceedings in the courts in all cases and in addition to bearing the costs of storage and destruction of the goods.

The method of proceeding set out in article 18.76 of the TPP should be implemented, including the alternative option of disclosure of information to allow for sharing of information relating to uncontested counterfeit goods and in-transit goods. This is consistent with the requirements set out in KORUS Chapter 18, articles 19-25.

Finally, customs officials should be given the authority to detain, seize and destroy uncontested counterfeit goods in transit or transshipment to other countries. This is also consistent with the requirements set out in KORUS Chapter 18, articles 19-25.
Copyright Issues

As has been repeatedly pointed out, NAFTA’s copyright provisions were negotiated in the early 1990s, prior to the development of national and international digital distribution networks for copyrighted works and prior to a host of more recent multilateral and bilateral treaties and FTAs reflecting the current international norms of protection and enforcement in the digital age. The renegotiation of NAFTA provides the U.S. with the opportunity not merely to update NAFTA’s antiquated copyright provisions to reflect these more recent multilateral and bilateral treaties and FTAs but also to improve upon those more recent agreements to reflect the latest learning on what works and what doesn’t to protect copyrighted materials in foreign markets.

With respect to specific provisions for a modernized NAFTA, the Section believes that USTR would do well to build upon—but not adopt wholesale—the copyright provisions in the U.S.-Korea Free Trade Agreement (KORUS).

- Provisions to build upon include KORUS’s requirement to criminalize unauthorized camcording in theaters (as the U.S. and Canada have already done, but not Mexico, one of the largest sources of these illegal camcords), requirements for strong civil and criminal remedies for infringements including satellite and cable signal theft, and the treatment of Technological Protection Measures (TPMs).

- The one KORUS copyright provision we do not recommend adopting is its rote recitation of Section 512 of the U.S. Digital Millennium Copyright Act (DMCA), which was intended by Congress to incentivize effective cooperation between copyright owners and service providers to combat online infringement, but in a number of recent U.S. court decisions has instead been treated as a “get-out-of-jail-free card” for service providers instead.\(^2\) In addition, technological developments including near-instantaneous re-posting of infringements taken down pursuant to Section 512’s notice-and-takedown process have rendered the process much less effective than Congress intended.\(^3\) The resulting need to reconsider the adequacy of Section 512 has been reflected in several U.S. legislative and regulatory initiatives.\(^4\) Taken together, these developments indicate that

\(^2\) See, e.g., UMG Recordings, Inc. v. Shelter Capital Partners LLC, 718 F.3rd 1006 (9th Cir. 2013) (holding that, inter alia, a service does not have “red flag” knowledge sufficient to disqualify it from Section 512’s “safe harbor” even if it knows it is hosting a category of infringing content); and Viacom Int’l, Inc. v. YouTube, Inc., 676 F.3rd 19 (2nd Cir. 2012) (same).

\(^3\) Just to take one example, content owners must send thousands of such notices to the same sites, regarding the same works, because U.S. courts have held that service providers have no obligation to remove all copies of an identified work—only the copy located at the specific URL identified in the takedown notice. As a result, as one copy of a work is removed from the Internet, another appears almost immediately thereafter. Indeed, in some cases, content is never actually removed at all, because, once a content owner identifies an infringing URL, that URL is taken down, but another URL linking to the same infringing work, on the same site, simultaneously replaces the original link. It should be noted that Canada’s “notice and notice” infringement notice-sending system (which does not require that even the specific URL identified in the notice be taken down) is even less effective than the Section 512 system, and certainly much less effective than a best-practice “takedown/staydown” regime would be, and should certainly not become a “model” for Mexico to adopt.

\(^4\) Indeed, Section 512 has been the subject of intense study by the U.S. House Judiciary Committee, the U.S. Patent and Trademark Office, and others with a view towards possible amendments even in the U.S., which is why adopting that prescriptive language in NAFTA would tie Congress’ hands for future improvements.
what was contemplated when Section 512 was enacted in 1998 has, unfortunately, not worked as intended for copyright creators and producers. This is particularly disheartening in light of the far more positive legal developments in other countries outside North America, who have adopted more robust shared-responsibility schemes that include site-blocking, notice-and-staydown, and effective injunctive relief.

In light of these developments, the Section recommends a new approach to this important trade policy by moving to high-level language that requires each Party to establish intermediary liability and appropriate limitations on such liability consistent with effective protections for each party’s rightsholders. Such an approach would be fully consistent with U.S. law while discouraging the misinterpretation of Sec. 512-like limitations of liability by policymakers and courts outside the US.

If a more specific approach is required, the ISP liability framework should be amended to provide “best practice” legal incentives for ISPs to cooperate with rightsholders (and specifically, to require ISPs to take action when they become aware of infringing activity on their services), and confine limitations on damages liability to ISPs that truly assist rightsholders in fighting infringements and do not control, initiate or direct infringements.

- In addition, a renegotiated NAFTA should avoid what we believe was an even larger mistake, in the now-abrogated Trans-Pacific Partnership, which diverged both from KORUS and other FTAs by including specific language (in Section 18.66) calling for “balance” in copyright systems. The Section supports a copyright system in all countries that balances the exclusive rights of authors and producers with prescribed exceptions and limitations to such rights, consistent with international treaties and norms. But some countries have pushed their exceptions and limitations in the digital world beyond that which the treaties or other bilateral agreements permit via the so-called three-step test (treated with virtually identical language in Berne Art. 9.2; WTO TRIPS Art. 13; WCT Art. 10; WPPT Art. 16). For example, Canada’s attempt at “balance”, by permitting its “fair dealing” exception to cover very broad educational exceptions to copyright, has resulted in the loss of millions of dollars in existing contracts by U.S. (and Canadian) educational publishers and authors, as the USTR itself noted in its 2017 Special 301 Report, which placed Canada on its Priority Watch List. As with Section 512 of the DMCA, the concept of “balance” can be and has been twisted and used as a vehicle for weakening copyright protections and expanding exceptions beyond the scope of the well-established, and well-implemented, three-step “balancing” test already found in the Berne Convention, the TRIPS Agreement and the WIPO Internet Treaties. In this regard, the current NAFTA’s clean recitation of the three-step test is preferable and should just be left alone. Further, the Section urges the USTR to use the opportunity presented by the renegotiation of NAFTA to examine each Party’s current exceptions and limitations to the exclusive rights, ensuring not only that all Parties are and remain in compliance with the three-step test but also that existing provisions do not have unduly detrimental market effects. A renegotiated NAFTA should, in any case, reaffirm that all such exceptions and limitations must comply with the three-step test.

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6 The Section looks forward to reviewing and commenting upon the copyright provisions of the 11-country replacement treaty now called the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP).
A salutary provision missing from KORUS but found in subsequent trade negotiations is a provision requiring aiding and abetting liability for all criminal copyright offenses. Another improvement would be to ensure that rightsholders have fully effective injunctive relief, as provided by Rule 65 of the U.S. Code of Civil Procedure.

A renegotiated NAFTA should ensure that all parties take immediate steps to implement and ratify their obligations under the WIPO Digital Treaties and that they complete the process of harmonizing the duration of protection for copyright in accordance with the modern-day international standard of the life of the author plus 70 years.

A renegotiated NAFTA should also address the market access barriers that remain in both countries, one of which is contained in NAFTA itself—Canada’s “cultural exception”, which prevents U.S. rightsholders from full access to Canada’s market for copyrighted works. The efficacy and appropriateness of market access barriers should, at minimum, be reviewed as part of any renegotiation of NAFTA.

B. Patent Issues

The Section agrees with the recommendations of the USTR’s Summary of Objectives for the NAFTA Renegotiation (“Summary of Objectives”), dated November 2017, regarding securing for U.S. investors important rights consistent with U.S. legal principles and practice. Summary of Objectives, p. 9, Investment. An increasing share of U.S. output is in the form of inventions and technological improvement. Intellectual property industries support millions of jobs, producing trillions of dollars of value added output. The protection of intellectual property rights continues to be essential to encourage further technological breakthroughs and innovation. We support continued inclusion of sections for national treatment (current Section 1102), most-favored nation treatment (current Section 1103), and a minimum standard of treatment under customary international law (current Section 1105). With respect to intellectual property rights, these standards must apply to all sectors non-discriminatorily, including pharmaceuticals and medical devices, ensuring an environment fostering innovation.

The Section urges the USTR to address the following specific concerns on the Patent provisions of NAFTA, including:

(a) Minimum Standards of Patentability

The Section strongly recommends not ceding or enabling a Party through “self-definition” to lower the minimum standards of patentability. The conditions for patentability set out in Article 1709(1) provide that patents shall be available “for any inventions, whether products or processes, in all fields of technology, provided that such inventions are new, result from an inventive step (to be non-obvious) and are capable of industrial application.” These conditions must be understood to set a minimum, commonly understood threshold. Parties cannot self-define the conditions to lower the minimum standards of patent protection.

The minimum requirements for patentability are consistent with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Article 27(1) and Patent Cooperation Treaty’s Article 33—“the
For example, the government of Canada advanced a troubling position when arbitrating the Chapter 17 patent provision of NAFTA (emphasis added):

The plain and ordinary meaning of patent criteria such as “utility”, when stated but left undefined in a treaty, is that the **Parties are free to adopt at their election one of the range of national technical approaches to this specialised criterion, in accordance with the requirements and policies of their respective patent laws**.  

The requirements for patentability of new, non-obviousness and useful are baseline requirements with well-understood meaning. While member states are free to adopt their approach in assessing compliance with these requirements (e.g., NAFTA should not mandate how obviousness is assessed), the Section strongly supports a position that the Parties cannot self-define the conditions of patentability to drop below minimum standards of patent protection.

**(b) Patent term restoration and Patent term extension**

Furthermore, this Section encourages a renegotiated NAFTA to mandate the establishment in Mexico and Canada of periods of patent term restoration that are at least equivalent to those provided under U.S. law. In the United States in 1984, Congress enacted Title II of the Drug Price Competition and Patent Term Restoration Act (Public Law 98-417) to extend patent life to compensate patent holders for the marketing time lost while developing a drug product and awaiting the necessary government review and approval of safety and efficacy required to market such a product. Specifically, Title II of the Act created a program whereby patent holders whose patents claim a human drug product, medical device, food additive or color additive could recoup some of the lost patent time. A maximum of five years can be restored to the patent. In all cases, the total patent life for a product with the patent extension cannot exceed fourteen years from the product’s approval date, or in other words, fourteen years of potential marketing time. Canada recently enacted a law that will provide a maximum of two years of restoration to a patent in limited situations. Unfortunately, Mexican law does not provide any period of patent term restoration. Therefore, in order to adequately compensate patent holders for their lost marketing time while awaiting the necessary government approval to market their products, Canada and Mexico should provide patent term restoration that is at least equivalent to the period provided for and based upon similar criteria as under U.S. law.

**IV. DETAILED DISCUSSION—REGULATORY EXCLUSIVITY ISSUES**

The Section encourages USTR to mandate through NAFTA the establishment in Mexico and Canada of periods of protection for regulatory data (“data exclusivity”) for small and large molecule drugs, drugs for the treatment of certain rare diseases, and new indications that are at least equivalent to those periods provided for in the United States. Data exclusivity protection ensures that a subsequent drug manufacturer cannot rely on an

 claimed invention appears to be novel, to involve an inventive step (to be non-obvious), and to be industrially applicable.”

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8 *Eli Lilly and Company v. The Government of Canada*, UNCITRAL, ICSID Case No. UNCT/14/2.
innovator’s undisclosed test and other research data for approval of its application for a specified period from the date of marketing approval to the innovator. This period of exclusivity is critical in protecting the investments of time, talent, and financial resources typically in excess of $2 Billion U.S. dollars to develop and gain market approval required to establish a new therapy as safe and effective\(^\text{10}\).

U.S. law currently provides five years of data exclusivity for new small molecule drugs (new chemical entities), twelve years of data exclusivity for new large molecule drugs (biologics) and three years of data exclusivity for new indications of a previously approved small molecule drugs. Additionally, the U.S. also provides seven years of data exclusivity for certain rare disease (“orphan drug” exclusivity).

Canadian law provides eight years of data exclusivity for both small and large molecule drugs but provides no new use or orphan drug exclusivity. Moreover, Mexico does not have any specific legislation providing for data exclusivity of any kind and the protection of such data is uncertain at best. The Federal Commission for Protection against Sanitary Risks (COFEPRIS), which is part of the Ministry of Health provided guidance in 2012, in an attempt to provide guidance on data exclusivity. The guidelines provided a five year term of data protection for new small molecule drugs. Unfortunately, the guidelines did not address data protection for large molecules or new indications. The guidelines are unclear and ambiguous in sections and remain subject to litigation.

V. DETAILED DISCUSSION—INVESTOR-STATE DISPUTE SETTLEMENT ISSUES

As noted in the prior letter from the ABA’s Section of International Law (attached), the Section supports that all investor-state dispute settlement system (“ISDS”) provisions be preserved to maintain accountability and an enforcement mechanism for investors.

The Section encourages the continuation all ISDS provisions for individuals who make investments in one of the member states, similar to that of current Chapter 11 of NAFTA. Such a system has proven essential as an alternative mechanism to raise attention to patent issues and spur resolution when such issues are not receiving appropriate attention between Member States.\(^\text{11}\)

The ISDS system is critically important to hold Member States accountable to the treaty terms in the interest of all investors, whether the investor is U.S., Canadian, or Mexican. The current NAFTA provisions have been in place more than twenty years, with demonstrated accountability benefits amply justifying any burden associated with ISDS arbitration.

\(^{10}\) [http://csdd.tufts.edu/news/complete_story/tufts_csdd_rd_cost_study_now_published](http://csdd.tufts.edu/news/complete_story/tufts_csdd_rd_cost_study_now_published)

\(^{11}\) For example, Chapter 11 investor-state dispute settlement based on violations under Chapter 17 of NAFTA were arbitrated in Eli Lilly and Company v. The Government of Canada, UNCITRAL, ICSID Case No. UNCT/14/2.
V1. DETAILED DISCUSSION—DIGITAL TRADE ISSUES

The Section agrees with the recommendations of the USTR’s Summary of Objectives, regarding securing commitments not to impose customs duties on digital products and services (e.g., software, music, video, e-books). Imposition of such extra charges will impede the flow of music, video, software and games throughout the region and will be particularly harmful to the creators, artists, and entrepreneurs who depend on such online sales for their livelihood.

This Section also supports the non-discriminatory treatment of digital products and services transmitted electronically and the guarantee that these products and services will not face government-sanctioned discrimination based on the nationality or territory in which such products and services are produced. The ability to transfer and access information across borders is critical to all U.S. economic sectors, and if such information is restricted based on the nationality or territory in which the product or service is produced, the U.S. economy and exports are impacted. Moreover, Canada and Mexico should not be permitted to impose measures that restrict cross-border data flows and require the use or installation of local computing facilities. Requirements that force U.S. companies to manage, store, or otherwise process data locally or other policies that link market access or commercial benefits to investment or use of the local infrastructure hurt U.S. businesses and consumers and threaten the open transnational nature of the internet. For similar reasons, governments should not be able to require the disclosure of a company’s proprietary algorithms as a prerequisite for trade opportunities.

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Once again, the Section appreciates the opportunity to provide these comments to you. If you have any questions regarding the above comments, please feel free to contact me.

Very truly yours,

Scott F. Partridge
Chair, ABA Section of Intellectual Property Law

cc:
Andrei Iancu
Undersecretary of Commerce
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Wilbur Ross
Secretary of Commerce

Vishal Amin
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Senator Grassley
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Senator Hatch  
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Senate Finance Committee  

Senator Wyden  
Ranking Member  
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Representative Goodlatte  
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Representative Nadler  
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October 6, 2017

Via email to: elizabeth_l_kendall@ustr.eop.gov

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RE: NAFTA Negotiations Regarding Modernization of North American Free Trade Agreement with Canada and Mexico

Dear Ms. Kendall:

On behalf of the American Bar Association Section of Intellectual Property Law (ABA-IPL Section) we respectfully submit our comments relating to amendments made to the use requirements of the Canadian Trademarks Act by Bill C-31 for consideration by The Office of the United States Trade Representative and respectfully request that our concerns be raised with the Canadian representatives during the renegotiation of the North American Free Trade Agreement (NAFTA). The views expressed in these comments are presented on behalf of the American Bar Association Section of Intellectual Property Law (the “Section”). They have not been approved by the House of Delegates or Board of Governors of the American Bar Association and, accordingly, should not be construed as representing the position of the Association.

The comments were originally made directly to the Canadian Government but unfortunately have not been addressed. In this regard, we are enclosing copies of our previous submissions.

We appreciate the opportunity to submit these comments on an important matter which affects U.S. trademark owners.

I. EXECUTIVE SUMMARY

In 2014 and again in 2016, the Section supported in principle proof of trademark use as a prerequisite for trademark registration in Canada and opposed the amendments to the Trademarks Act by Bill C-31 for consideration by The Office of the United States Trade Representative and respectfully request that our concerns be raised with the Canadian representatives during the renegotiation of the North American Free Trade Agreement (NAFTA). The views expressed in these comments are presented on behalf of the American Bar Association Section of Intellectual Property Law (the “Section”). They have not been approved by the House of Delegates or Board of Governors of the American Bar Association and, accordingly, should not be construed as representing the position of the Association.

The comments were originally made directly to the Canadian Government but unfortunately have not been addressed. In this regard, we are enclosing copies of our previous submissions.

We appreciate the opportunity to submit these comments on an important matter which affects U.S. trademark owners.
requirement to establish use to obtain a trademark registration. Copies of the letters which were written by the Section to the Government of Canada opposing amendments to the Trade-mark Act that would remove the use requirement are attached.

Despite concerns about long term implications and costs raised by many organizations including the ABA-IPL Section and experts in the field of trademarks, on February 11, 2014 Bill C-31, an omnibus bill was introduced. The amendments relating to the use requirements to the Trade-mark Act received Royal assent on December 9, 2014. The Canadian Intellectual Property Office has recently indicated that the amendments to the Trade-marks Act will not be brought into force until 2019.

Trademark use has been a fundamental requirement under the Canadian Trade-marks Act for many years. Pursuant to this requirement, trademark applicants in Canada had to specify one of three bases for their applications. First, an application could be based on the trademark having been used or made known in Canada in association with the applied-for wares or services. Second, an application could be filed on the basis of a registration and use abroad in the applicant’s country of origin. Finally, an application could be filed on the basis of proposed use. However, before a registration could be obtained on this last basis, the applicant was required to file a declaration confirming that it has commenced use of the trademark since the filing of the application.

II. THE RECENTLY ENACTED AMENDMENTS

In the U.S., as was the case in Canada, “use in commerce” is a fundamental prerequisite before trademark rights attach to a particular mark.

The U.S. adopted and adheres to the Madrid Protocol and supports Canada’s adherence to the Protocol as well. However, when the U.S. adhered to the Protocol, it did not change the statutory requirement that businesses domiciled in the United States use their marks in commerce before being able to register those marks or that all registrants maintain their registrations through periodic filings documenting that use. Likewise, Canada’s adherence to the Protocol does not require it to change the statutory requirement relating to the use of a trademark.

Although the amendments to the Trade-marks Act were allegedly inspired by Canada’s desire to adhere to the Protocol, the changes made relating to the use requirement are completely new. They allow an applicant to obtain a trademark registration without any declaration of use of the trademark in Canada or anywhere else. The sections of the Bill implementing this change include:

- Section 330 amending section 16 concerning entitlement to registration;
- Section 339 amending section 30 concerning the contents of an application; and
- Section 345 removing the requirement to file a declaration of use from section 40.
Section 330 removes from the Act any grounds of entitlement to registration based on use, registration and use abroad, or proposed use. Instead, entitlement to registration is to be initially determined on the basis of the filing date.

Section 339 amends the form of application so that it will no longer be necessary to specify the basis of a claim to entitlement to registration.

Section 345 removes from the Act the requirement to submit a declaration that the use of the trademark in Canada in association with the wares or services specified in the application has commenced since the filing of the application.

We understand that there were no consultations with any interested parties on the effect of these amendments prior to their introduction in Parliament as part of a large omnibus bill.

Following the introduction of Bill C-31, major Canadian business groups including the Canadian Chamber of Commerce, businesses, professional groups focused on intellectual property, the Canadian Bar Association, the Section and experts in the field of trademarks all made submissions raising concerns about the impact of the amendments relating to use. Despite this, no changes to the amendments were ever made.

III. Amendments on the Use Requirement Negatively Impact Trademark Owners

U.S. trademark owners are a very large user group in the Canadian trademark system, and they and their U.S. counsel have significant experience with the system. For example, more than 78,700 of the 244,649 applications filed in Canada between 2010 and 2014 were submitted by applicants from the U.S. The ABA-IPL Section’s comments reflect their members’ expertise with U.S. law and their familiarity with intellectual property law internationally, including in Canada.

The amendments set out above relating to use will have a negative impact on trademark owners seeking to protect their trademarks in Canada, who will face additional expense and economic disadvantage. In fact, the USPTO has gone in the opposite direction and undertaken an effort to clean up its register by facilitating the removal of registrations not in use “to improve the accuracy of the U.S. Trademark Register” by proposing streamlined proceedings for the cancellation of a registration for nonuse.1

Although U.S. trademark owners will be more negatively impacted by these amendments, given the substantial amount of trade between the U.S. and Canada and the sheer number of U.S. trademark applicants in Canada, trademark owners in all countries protecting their trademarks in Canada will face these same problems.

The amendments once in force will cause the following problems, among others:

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1 Improving the Accuracy of the Trademark Register: Request for Comments on Possible Streamlined Version of Cancellation Proceedings on Grounds of Abandonment and Nonuse, 82 Fed. Reg. 93 (Tuesday, May 16, 2017)
a. The trademark register, which currently records “use” claims, will become cluttered with registrations that no longer reflect marketplace realities. This will happen in two ways: marks that are not in use, and may never be used in Canada, will be easier to register here, and marks will be registered for many more goods and services than would be the case if the owner was required to show use before registration.

b. The register is frequently searched in order to determine the availability of new marks and names in advance of use and registration. Because the register will become a less reliable indicator of “real” rights, potential applicants and their counsel will be forced to conduct additional marketplace investigations in order to determine if a mark is available for use and registration. This will increase clearance costs and will add complexity and uncertainty to the selection and use of trademarks and trade names in Canada;

c. The lack of useful information on the register will require expensive investigations about trademark use before meaningful advice can be given about the chance of success in trademark oppositions and actions for infringement;

d. Without use claims to keep applicants/owners accountable, more expensive trademark opposition proceedings will likely be required to protect the interests of trademark owners. The current opposition rate is low (about 3% of all advertised applications). CIPO spokespeople have estimated that the new system will increase the rate of opposition by at least two times. This will require additional administrative and judicial resources;

e. The potential for trademark "trolls" will escalate, as applicants will be able to register a mark and obtain the right to enforce it under the Act without having to declare use. The “trolls” may use such rights to bargain with others, including Canadian companies who are actually using a mark, much in the same way that domain name “trolls” are able to register domain names for the purpose of selling them to the highest bidder;

f. While deadwood registrations - those not supported by use - can be removed under section 45 of the Act, this generally cannot occur until three years have passed and the steps to cancel unused registrations must be taken and paid for by other parties;

g. The effectiveness of the section 45 system will be in doubt, since nothing prevents the deadwood registration owner from filing a new application for the same mark, frustrating the intended function of the system; and

h. The amendments creating trademark rights "in gross" or without use, will further jeopardize the effectiveness of the entire trademark system.

In addition to the above, when the amendments are brought into force they may invite a constitutional challenge to the authority of Parliament to the legislate rights conferred by registration in the absence of use.
The issue is whether the proposed legislation constitutes an undue invasion of the rights of the provinces to legislate in relation to property and civil rights within the province, and therefore is *ultra vires* of Parliament, and whether it can be justified as “regulation of trade and commerce” given there is no trade and commerce to regulate at the time of creation of trademark rights “in gross”.

**CONCLUSION**

For the aforementioned reasons, the ABA-IPL Section submits that the amendments relating to use (Sections 330, 339, and 345) should be repealed or not brought into force.

If you have any questions after reviewing these comments, we would be happy to provide further input.

Very truly yours,

Scott F. Partridge
Chair, ABA Section of Intellectual Property Law

enc.
May 17, 2016

The Honourable Navdeep Bains
Minister of Innovation, Science and Economic Development
235 Queen Street
Ottawa, ON K1A 0H5

Re: Joint Comments on amendments to the Canadian Trademarks Act
enacted by Bill C-31, Part 6, Division 25

Dear Minister Bains:

On behalf of the American Bar Association Sections of Intellectual Property Law and International Law, we respectfully submit the attached comments relating to amendments made by Bill C-31 to the use requirements of the Canadian Trademarks Act. The amendments have not yet been brought into force.

Please note that these views are being presented only on behalf of the Sections of Intellectual Property Law and International Law. They have not been approved by the House of Delegates or the Board of Governors of the American Bar Association and should not be construed as representing the position of the American Bar Association.

If you have any questions after reviewing these comments, we would be happy to provide further input.

Sincerely,

Theodore H. Davis, Jr.
Chair
Section of Intellectual Property Law

Lisa J. Savitt
Chair
Section of International Law
JOINT COMMENTS OF THE AMERICAN BAR ASSOCIATION SECTIONS OF INTELLECTUAL PROPERTY LAW AND SECTION OF INTERNATIONAL LAW ON CERTAIN AMENDMENTS MADE TO THE CANADIAN TRADE-MARKS ACT

The views stated in this submission are presented jointly on behalf of the Section of Intellectual Law and the Section of International Law. They have not been approved by the House of Delegates or the Board of Governors of the American Bar Association and therefore may not be construed as representing the policy of the American Bar Association.

May 17, 2016

The Section of Intellectual Property Law and the Section of International Law (together, the “Sections”) of the American Bar Association ("ABA") respectfully submit these comments, which reflect their expertise and experience with trademark law in the United States as well as in numerous other jurisdictions worldwide.

EXECUTIVE SUMMARY

Bill C-31, an omnibus budget bill was introduced on February 11, 2014. The amendments relating to the use requirements to the Trade-marks Act received royal ascent on December 9, 2014 despite concerns about long term implications and costs raised by many organizations including the ABA and experts in the field of trademarks. The Canadian Intellectual Property Office has recently indicated that the amendments to the Trade-marks Act will not be brought into force until 2018 since regulations required by the changes have to be finalized.

The Sections recommend that the amendments dealing with use be repealed or not brought into force.
I. PAST REQUIREMENT OF USE IN CANADA

Trademark use has been a fundamental requirement under the Canadian Trade-marks Act for many years. Pursuant to this requirement, trademark applicants in Canada had to specify one of three bases for their applications. First, an application could be based on the trademark having been used or made known in Canada in association with the applied-for wares or services. Second, an application could be filed on the basis of a registration and use abroad in the applicant’s country of origin. Finally, an application could be filed on the basis of proposed use. However, before a registration could be obtained on this last basis, the applicant was required to file a declaration confirming that it has commenced use of the trademark since the filing of the application.

II. THE RECENTLY ENACTED AMENDMENTS

In the U.S., as was the case in Canada, it is a fundamental requirement that a trademark must be used in commerce before its owner will be granted exclusive rights with the exception of applications based on a foreign registration.

The U.S. has adhered to the Madrid Protocol and supports Canada’s adherence to the Protocol as well. However, when the U.S. adhered to the Protocol, it did not change the statutory requirement that businesses domiciled in the United States use their marks in commerce before being able to register those marks or that all registrants maintain their registrations through periodic filings documenting that use. Likewise, Canada’s adherence to the Protocol does not require it to change the statutory requirement relating to the use of a trademark.

Although the amendments to the Trade-marks Act were allegedly inspired by Canada’s desire to adhere to the Protocol, the changes made relating to the use requirement are completely
new. They allow an applicant to obtain a trademark registration without any declaration of use of the trademark in Canada or anywhere else. The sections of the Bill implementing this change include:

- Section 330 amending section 16 concerning entitlement to registration;
- Section 339 amending section 30 concerning the contents of an application; and
- Section 345 removing the requirement to file a declaration of use from section 40.

Section 330 removes from the Act any grounds of entitlement to registration based on use, registration and use abroad, or proposed use. Instead, entitlement to registration is to be initially determined on the basis of the filing date.

Section 339 amends the form of application so that it will no longer be necessary to specify the basis of a claim to entitlement to registration.

Section 345 removes from the Act the requirement to submit a declaration that the use of the trademark in Canada in association with the wares or services specified in the application has commenced since the filing of the application.

No rationale has been presented in favor of these amendments other than the administrative efficiency of the Canadian Intellectual Property Office, the governmental body responsible for the operation of the Trademarks Office.

We understand that there were no consultations with any interested parties on the effect of these amendments prior to their introduction in Parliament as part of a large omnibus bill.
Following the introduction of Bill C-31, major Canadian business groups including the Canadian Chamber of Commerce, businesses, professional groups focused on intellectual property, the Canadian Bar Association, the American Bar Association and experts in the field of trademarks all made submissions raising concerns about the impact of the amendments relating to use. Despite this, no changes to the amendments were ever made.

III. Amendments on the Use Requirement Negatively Impact Trademark Owners

U.S. trademark owners are a very large user group of the Canadian trademark system, and they and their U.S. counsel have significant experience with the system. For example, more than 78,700 of the 244,649 applications filed in Canada between 2010 and 2014 were submitted by applicants from the U.S. The Sections’ comments reflect their members’ expertise with U.S. law and their familiarity with intellectual property law internationally, including in Canada.

The amendments set out above relating to use will have a negative impact on trademark owners seeking to protect their trademarks in Canada, who will face additional expense and economic disadvantage.

Although U.S. trademark owners will be more negatively impacted by these amendments, given the substantial amount of trade between the U.S. and Canada and the sheer number of U.S. trademark applicants in Canada, trademark owners in all countries protecting their trademarks in Canada will face these same problems.

The amendments once in force will cause the following problems, among others:

a) The trademark register, which currently records “use” claims, will become cluttered with registrations that no longer reflect marketplace realities. This will happen in two
ways: marks that are not in use, and may never be used in Canada, will be easier to register here, and marks will be registered for many more goods and services than would be the case if the owner is required to show use before registration.

b) The register is frequently searched in order to determine the availability of new marks and names in advance of use and registration. Because the register will become a less reliable indicator of “real” rights, potential applicants and their counsel will be forced to conduct additional marketplace investigations in order to determine if a mark is available for use and registration. This will increase clearance costs and will add complexity and uncertainty to the selection and use of trademarks and trade names in Canada;

c) The lack of useful information on the register will require expensive investigations about trademark use before meaningful advice can be given about the chance of success in trademark oppositions and actions for infringement;

d) Without use claims to keep applicants/owners accountable, more expensive trademark opposition proceedings will likely be required to protect the interests of trademark owners. The current opposition rate is low (about 3% of all advertised applications). CIPO spokespeople have estimated that the new system will increase the rate of opposition by at least two times. This will require additional administrative and judicial resources;

e) The potential for trademark "trolls" will escalate, as applicants will be able to register a mark and obtain the right to enforce it under the Act without having to declare use. The “trolls” may use such rights to bargain with others, including Canadian companies
who are actually using a mark, much in the same way that domain name “trolls” are able to register domain names for the purpose of selling them to the highest bidder;

f) While deadwood registrations - those not supported by use - can be removed under section 45 of the Act, this generally cannot occur until three years have passed and the steps to cancel unused registrations must be taken and paid for by other parties;

g) The effectiveness of the section 45 system will be in doubt, since nothing prevents the deadwood registration owner from filing a new application for the same mark, frustrating the intended function of the system; and

h) The amendments creating trademark rights "in gross" or without use, will further jeopardize the effectiveness of the entire trademark system.

In addition to the above, when the amendments are brought into force they may invite a constitutional challenge to the authority of Parliament to the legislate rights conferred by registration in the absence of use.

The issue is whether the proposed legislation constitutes an undue invasion of the rights of the provinces to legislate in relation to property and civil rights within the province, and therefore is ultra vires of Parliament, and whether it can be justified as “regulation of trade and commerce” given there is no trade and commerce to regulate at the time of creation of trademark rights “in gross”.

Consequently, it is the view of the Sections that the recently amended Trade-marks Act should be repealed to remove sections 330, 339, and 345 or the amendments concerning the sections should not be brought into force.
CONCLUSION

For the aforementioned reasons, the Sections submit that the amendments relating to use should be repealed or not brought into force. The Sections are available to provide additional comments, or to participate in consultations in the future as is appropriate.
June 13, 2014

The Honourable Joseph A. Day  
Chair of National Finance  
Room 801, Victoria Building  
The Senate of Canada  
Ottawa, ON K1A 0A4

Re: Joint Comments on amendments to the Canadian Trade-marks Act proposed by Bill C-31, Part 6, Division 25.

Dear Mr. Day,

On behalf of the American Bar Association Sections of Intellectual Property Law and International Law, we respectfully submit the attached comments opposing certain amendments to the Canadian Trade-marks Act proposed by Bill C-31, Part 6, Division 25.

Please note that these views are being presented only on behalf of the Sections of Intellectual Property Law and International Law. They have not been approved by the House of Delegates or the Board of Governors of the American Bar Association and should not be construed as representing the position of the American Bar Association.

If you have any questions after reviewing these comments, we would be happy to provide further input.

Sincerely,

Robert O. Lindefjeld  
Chair, Section of Intellectual Property Law

Gabrielle M. Buckley  
Chair, Section of International Law

Attachment B
The views stated in this submission are presented jointly on behalf of the Section of Intellectual Law and the Section of International Law. They have not been approved by the House of Delegates or the Board of Governors of the American Bar Association and therefore may not be construed as representing the policy of the American Bar Association.

June 13, 2014

The Section of Intellectual Property Law and the Section of International Law (together, the “Sections”) of the American Bar Association (“ABA”) respectfully submit these comments, which reflect their expertise and experience with trademark law in the United States as well as in numerous other jurisdictions worldwide.

EXECUTIVE SUMMARY

Bill C-31 was introduced on February 11, 2014, and, among numerous other things, will allow an applicant to obtain a trademark registration without any requirement to declare use of the trademark in Canada or anywhere else. The Bill is being rushed through Parliament, and a third and final reading is imminent so we need to proceed very quickly.

I. CURRENT REQUIREMENT OF USE IN CANADA

Trademark use is a fundamental requirement under the Canadian Trade-marks Act and has been for many years. Currently, applications must specify one of three bases on which they are filed. First, an application may be filed on the basis that the trademark has been used or made known in Canada in association with the applied-for wares or services. Second, an application can be filed on the basis of a registration and use abroad in the applicant’s country of origin. Finally, an application can be filed on the basis of proposed use. However, before registration can be obtained on this last basis, the applicant must file a declaration confirming that it has commenced use of the trademark since the filing of the application.

The system under the Canadian Trade-marks Act is broadly similar to that in the U.S., save that applications may be based on foreign registration and use in the applicant’s country of origin.
By way of background, links to the status of the relevant legislation are set out below:

a)  The current Canadian Trade-marks Act -

b)  Bill C-8, which was the first attempt at legislative reform
http://www.parl.gc.ca/LEGISinfo/BillDetails.aspx?Language=E&Mode=1&billId=6266835&View=0, the link tracks status but can be used to link back to the Bill; and

c)  Bill C-31:
http://www.parl.gc.ca/LegisInfo/BillDetails.aspx?Language=E&Mode=1&billId=6483626, the link tracks status but can be used to link back to the Bill.

II. PROPOSED AMENDMENTS

In the U.S., as in Canada, it is a fundamental requirement that a trademark must be used in commerce before its owner will be granted exclusive rights with the exception of applications based on foreign registration. The U.S. has adhered to the Madrid Protocol and supports Canada’s adherence to the Protocol as well. However, when the U.S. adhered to the Protocol, it did not change the statutory requirement that businesses domiciled in the United States use their marks in commerce before being able to register those marks or that all registrants maintain their registrations through periodic filings documenting that use. Likewise, Canada’s adherence to the Protocol does not require it to change the statutory requirement relating to the commercial use of a trademark.

As we understand it, some of the changes in Part 6, Division 25 of the proposed amendments to the Canadian Trade-marks Act are completely new. They allow an applicant to obtain a trademark registration without any declaration of use of the trademark in Canada or anywhere else. The sections of the Bill implementing this change include:

- Section 330 amending section 16 concerning entitlement to registration;
- Section 339 amending section 30 concerning the contents of an application; and
- Section 345 removing the requirement to file a declaration of use from section 40.

Section 330 removes from the Act any grounds of entitlement to registration based on use, registration and use abroad, or proposed use. Instead, entitlement to registration will be determined solely on the basis of filing date.

Section 339 amends the form of application so that it will no longer be necessary to specify the basis of a claim to entitlement to registration.

Section 345 removes from the Act the requirement to submit a declaration that the use of the trademark in Canada in association with the wares or services specified in the application has commenced since the filing of the application.
No rationale has been presented in favor of the amendments other than the administrative efficiency of the governmental body responsible for the operation of the Trade-marks Office.

**III. Proposed Amendments on the Use Requirement Negatively Impact Trademark Owners**

U.S. trademark owners are a very large user group of the Canadian trademark system, and they and their U.S. counsel have significant experience with that system. For example, in the period 2011-2012 more than 15,500 of the 50,000 applications filed in Canada were submitted by applicants from the U.S. The Sections’ comments reflect their members’ expertise with U.S. law and their familiarity with intellectual property law internationally, including in Canada.

The proposed amendments set out above relating to use will have a negative impact on trademark owners seeking to protect their trademarks in Canada, who will face additional expense and economic disadvantage. These amendments will cause several problems:

a) the trademark register, which currently records use claims, will become cluttered with registrations that no longer reflect marketplace realities. This will increase the cost for applicants and will add complexity and uncertainty in the selection and use of trademarks and trade names in Canada;

b) lack of useful information on the register will require expensive investigations about trademark use before meaningful advice can be given in clearance opinions, and with regard to the chance of success in trademark oppositions and actions for infringement;

c) without use claims to keep owners accountable, more expensive trademark opposition proceedings will likely be required to protect the interests of trademark owners;

d) the potential for trademark “trolls” will be increased, as applicants will be able to register a mark and obtain the right to enforce it without having to declare and demonstrate use in commerce.

Although U.S. trademark owners will be more negatively impacted by these amendments, given the substantial amount of trade between the U.S. and Canada and the sheer number of U.S. trademark applicants in Canada, trademark owners in all countries protecting their trademarks in Canada will face these same problems.

Consequently, it is the view of the Sections that sections 330, 339, and 345 should be removed from Bill C-31.

**CONCLUSION**

For the aforementioned reasons, the Sections oppose the amendments to the Trade-marks Act described above. The Sections are available to provide additional comments, or to participate in consultations in the future as is appropriate.