

October 25, 2018

The Honorable Robert E. Lighthizer
United States Trade Representative
Executive Office of the President
Washington, D.C. 20508

Dear Ambassador Lighthizer:

I am pleased to transmit an addendum from the Industry Trade Advisory Committee on Intellectual Property Rights (ITAC-13) on the United States – Mexico – Canada Agreement (USMCA) to the report submitted on September 27, 2018, on what was then called “A Trade Agreement with Mexico and potentially Canada,” in accordance with section 105(b)(4) of the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, and section 135(e) of the Trade Act of 1974, as amended. ITAC-13 appreciates the opportunity to provide this addendum reflecting majority and minority advisory opinions on the USMCA.

Sincerely,

A handwritten signature in blue ink, appearing to read "EM Gill", with a small blue ink smudge or mark below it.

Erin-Michael Gill
Chairman
ITAC-13, IPR

**United States-Mexico-Canada Trade Agreement
Addendum to the Report of the Industry Trade Advisory Committee on Intellectual
Property Rights (ITAC-13) dated September 27, 2018
on a Trade Agreement with Mexico and Potentially Canada**

This document is an addendum to the Report of the Industry Trade Advisory Committee on Intellectual Property Rights (ITAC-13) dated September 27, 2018 (hereinafter the “original Report”) under section 105(b)(4) of the Bipartisan Trade Priorities and Accountability Act of 2015 (“Trade Promotion Authority” or “TPA”) and section 135(e) of the Trade Act of 1974, as amended, on what was then called “A Trade Agreement with Mexico and potentially Canada” and is now called the “United States-Mexico-Canada Trade Agreement” (“USMCA”).

Executive Summary of the Addendum

The Committee reiterates the opinion in its original Report of a majority of the Committee¹ that to a reasonable extent, and with consideration of the broader impact of this agreement, the USMCA promotes the economic interests of the United States and advances the overall negotiating objectives with respect to intellectual property set forth in section 102 of TPA. While there are elements which the Committee would prefer to have strengthened, clarified or removed as detailed in the original Report and below in this addendum, the USMCA does improve intellectual property provisions generally and does improve the IP environment for a broad range of U.S. stakeholders.

In large part, USMCA contains provisions identical to the agreement reviewed in the Committee’s original Report. In most cases, the analysis and discussion in the original Report remain valid. In a few cases, USMCA contains new or stronger provisions; and in a few cases, USMCA contains provisions of significant concern to the Committee. These are discussed below under the relevant IP subsections. In cases in which the original Report contained analysis under an IP subsection, and this addendum contains no new analysis, then USMCA made no material changes to the analysis of the Committee in the original Report.

The Committee reiterates the need for the USTR to closely monitor implementation of the USMCA and to ensure that before entry into force, all parties have in place national legislation that faithfully reflects the new obligations.

Geographic Indications

The text of the USMCA on GIs reflects the earlier agreed provisions that were included in the trade agreement with Mexico and were the focus of this ITAC’s earlier Report. One area of text that was not posted at the time of our review of the U.S.-Mexico agreement is the side letter pertaining to prior users. In light of that, this update reflects two notable areas not captured in our earlier review as well as a few points of emphasis from our earlier remarks:

¹ As discussed in the original Report, ITAC membership representing generic drug and biosimilar manufacturers, for the reasons stated therein, does not share this opinion.

Requirement for Parties to Pursue Solutions to GI Requests Arising from Trade Treaties

In clause 2(e) of Article 20.B.3, the USMCA includes an important new commitment specifying that the Committee on Intellectual Property Rights shall, upon request, “endeavor to reach a mutually agreeable solution before taking measures in connection with future requests of recognition or protection of a geographical indication from any other country through a trade agreement.” This requirement for consultations and the directive to work to arrive at solutions of mutual interest to the Parties is a much-needed and very welcome addition to the Administration’s ability to defend the interests of U.S. stakeholders against the predatory efforts of non-Parties to use trade treaties to erect barriers to trade in common product categories under the guise of GI protections.

Moreover, through its specific focus on GI applications arising in the context of trade agreements, this provision implicitly recognizes that GIs are treated uniquely among the various forms of IP by other countries. This disparate treatment of GIs, wherein other governments negotiate lists of specific GIs for protection in U.S. export markets, stands in contrast to the private-sector-driven and rules-based approaches to considering and registering other forms of IP. We applaud the Administration for its recognition of that unfortunate reality and for taking steps in this agreement to systematically combat that same reality.

U.S.-Mexico Side Letter on Prior Users

Another valuable commitment secured in this agreement is the side letter understanding established with Mexico regarding those portions of the supply chain which qualify as “prior users” as referenced in the updated provisions of the EU-Mexico FTA on GIs. That agreement’s GI provisions reportedly establish restrictions on the use of certain common names and in some of those cases provide temporary or permanent allowances for the continued use of the term by prior users of the term in Mexico. By clarifying that prior users include all elements of the supply chain, namely producers, distributors, marketers, importers and exporters, the letter maximizes the ability of U.S. companies to continue to export their products to this important market and of Mexican companies to maintain wider supply source options during the relevant period.

Emphasis of Key Points in Earlier Report re: GI Section of IPR Chapter

The GI Section of the intellectual property chapter establishes a framework for beginning to introduce more transparency and due process procedures to the area of GI consideration and should help to mitigate against the inappropriate future registration of unwarranted GIs. It contains numerous positive elements (examples of which were provided in our original Report) that collectively establish a basic structure on the topic of GIs from which the U.S. can build in further FTA negotiations. As noted earlier, we would like to stress that the applicability of the text’s new disciplines to any GIs not specifically listed by name in prior agreements is vital to seeing successful impacts result from these commitments.

We remain deeply concerned, however by the agreement’s specific exclusion of wines and spirits from all of the protections afforded in this text to producers of other products. This disparate treatment should not be replicated in future U.S. trade agreements. In

particular, the ITAC notes that footnote 17 excludes GI's for wine and spirits from the provisions of Article 20.E.3 and this exclusion is repeated in clause 4 of Article 20.E.7 pertaining to International Agreements. However, footnote 19 to clause 1 of Article 20.E.3 is intended to prevent GI registrations for wine from essentially confiscating common grape varietal names. The appearance of that footnote in Article 20.E.3 appears to be inconsistent with the exclusion of wine and spirits from the article. Article 20.E.3 should apply to all GI registrations for wine and spirits that do not precede the USMCA.

Also, relevant to safeguarding these stakeholders' interests, the ITAC reaffirms its strong support for clause C.18 in the USMCA's Annex 3B to Chapter 3 relating to use of traditional descriptive terms. That provision will help address an area of the GI-related restrictions that the U.S. wine industry has experienced: limits on the use of terms typically used to describe wine.

Finally, we continue to regret that the text does not fully preserve U.S. market access opportunities. Therefore, important work remains to be achieved outside of the text of this agreement in order for the U.S. to preserve the maximum range of market access opportunities possible. We would like to reiterate that as the Agreement's commitments are implemented, the U.S. will need to strongly guard against the approval of GIs that may result from compliance with the letter of the process requirements outlined in the GI Section yet fail to reflect the intent of the Article to prevent the registration of GIs that restrict the use of commonly used terms.

On the whole, this ITAC welcomes the establishment of new disciplines for an area of IP that has too often lacked the type of transparency and basic checks and balances already established for other forms of IP. These building block due process elements are expected to help establish greater "transparency and procedural fairness," as required by TPA language, and provide a basic structure on the topic of GIs from which the U.S. can build further in FTA negotiations to come. However, we have some remaining concerns and regret that the provisions do not appear to fully meet the TPA charge regarding "eliminating...the undermining of market access for United States products" given the exclusion of GI decisions made prior to its implementation from the agreement's scope. Although not sufficient to fully address this concern, we trust that, moving forward, vigorous enforcement of the elements noted in the first two sections above will help to more directly combat the harmful market access impairing actions of third-Parties as they relate to GIs.

Copyright and Related Rights

There are two changes to the Agreement that ITAC-13 does not support and we believe should not be used as a model for any future agreement: the exception for Canada's cultural industries ("Cultural Exception") and the exception for Canada's "notice and notice" regime.

Cultural Exception

Article 32.6 of the Agreement provides that the Agreement "does not apply to a measure adopted or maintained by Canada with respect to a cultural industry," with the exception of national treatment and market access for goods provided in Chapter 2 or Annex 15-D on

Simultaneous Substitution. While the ITAC acknowledges the original NAFTA had a “cultural carve-out,” it is disappointing that USMCA continues this anachronistic provision. As a preliminary matter, a “cultural carve-out” is not consistent with the idea of a 21st century trade agreement. Such a carve-out covers a broad swath of the copyright sector – a sector that contributes over \$1.2 trillion to US GDP and over 5.5 million American jobs. Even when a country does not exercise discriminatory policies under a cultural carve-out, the presence of the provision denies American businesses of the certainty that is a core benefit of a trade agreement. The underlying logic of a “cultural carve-out” is flawed in its basic assumption that self-selected exposure to certain media defines “culture.” And the concept is indefensible in light of the state of mass media communications technology. In the 20th century, fears over the influence of television and movies led to heavy-handed regulation including, in many cases, state ownership), under theories of scarcity, excessive control of “gate keepers,” and the desire for government control over mass media. But, since the advent of digital media, with hundreds of channels being available, and the internet, which allows basically anyone anywhere to become a mass media outlet, the underlying logic of this approach has dissolved.

Although the scope of Article 32.6 is not entirely clear, ITAC-13 expects that this exception for Canada’s cultural industries will not apply to the obligations of the Chapter on Intellectual Property Rights. ITAC-13 expects that the USTR will use all avenues available to it to ensure that Canada fully implements this Chapter. The Committee also expects that the USTR will work to confirm that the list of industries subject to the carve-out does not expand beyond those currently listed. It is critical that the USTR ensure that Canada fully implements all of the obligations in the intellectual property chapter, including, in particular, Article 20.A.8 on National Treatment and Article 20.H.7 on Term of Protection for Copyright and Related Rights. ITAC-13 notes that Article 32.6 includes a robust retaliation provision permitting the United States to “take a measure of equivalent commercial effect” in response to discriminatory policies. It is obviously preferable to avoid discrimination in the first instance than to resort to threats of retaliatory measures while still facing significant market access barriers, but ITAC acknowledges the USTR’s efforts in improving upon the retaliation provision from the original NAFTA. If Article 32.6 is used to permit exceptions to the intellectual property chapter, the ITAC would be forced to conclude that the Agreement does not meet congressional objectives under Trade Promotion Authority legislation nor advance the economic interests of the United States in the copyright and other affected sectors. The ITAC notes further that a carve-out applicable to the Chapter on Intellectual Property Rights could raise significant precedential concerns that could have implications that go beyond the copyright sector.

Annex on Canada’s Legal Remedies and Safe Harbors

Annex to Section J provides detailed requirements for alternative arrangements to Articles 20.J.11.3, 20.J.11.4, and 20.J.11.6 on Legal Remedies and Safe Harbors. Since Mexico does not have a system for safe harbors, this Annex is clearly intended to effectively exempt Canada from the legal remedies and safe harbors requirements as long as Canada maintains its current “notice and notice” regime. As an initial matter, the Committee supports the requirement set out in Annex to Section J 1(b) and believes that such a requirement should have been included in the core substantive text of this Agreement and in future FTAs—namely, that FTA’s should require Parties to establish secondary liability for services that are designed or operated for the purpose of enabling infringement. As noted in our original Report, secondary liability

has been a core principle of U.S. copyright law for decades. It is time for U.S. FTAs to fully and explicitly reflect this important enforcement tool, which incentivizes cooperation between rights holders and intermediaries. We do not believe that a “notice and notice” regime, however, which falls below the standard found in U.S. law, provides adequate and effective enforcement of copyrights.

Moreover, ITAC-13 believes this Annex sets a bad precedent by effectively exempting one member of the trilateral agreement from the core rules on Legal Remedies and Safe Harbors. This concession was clearly necessitated by the inflexible, detailed and prescriptive approach on safe harbors, unfortunately, as we noted in the main body of the Report, failed to reflect the standards found in U.S. law. That Canada’s system, which fails to meet even the incomplete and flawed standards for legal remedies and safe harbors in the core text, is exempted from these requirements, further buttresses our view that “[o]n this highly technical issue, a high-level approach that is general and articulates key principles, while providing flexibility for Congress, would have been most appropriate.”

Trade Secrets

The text of the USMCA related to trade secrets is nearly identical to earlier agreed-upon provisions that were included in the trade agreement with Mexico that were discussed in this ITAC’s original Report. ITAC-13 welcomes the extension of these provisions to include Canada in the new USMCA. The committee notes only two changes to the text on trade secrets, added as a pair of footnotes to Article 20.I.2 (Criminal Enforcement):

Article 20.I.1: Civil Protection and Enforcement

In fulfilling its obligation under paragraphs 1 and 2 of Article 39 of the TRIPS Agreement, each Party shall:

- (a) provide civil judicial procedures⁷⁷ for any person lawfully in control of a trade secret to prevent, and obtain redress for, the misappropriation of the trade secret by any other person; and
- (b) not limit the duration of protection for a trade secret, so long as the conditions in Article 20.I.3 (Definitions) exist.

⁷⁷ For greater certainty, civil judicial procedures do not have to be federal provided that such procedures are available.

Article 20.I.2 (Criminal Enforcement):

1. Subject to paragraph 2, each Party shall provide for criminal procedures and penalties for the unauthorized and willful misappropriation⁷⁸ of a trade secret.
2. With respect to the relevant acts referred to in paragraph 1, a Party may, as appropriate, limit the availability of its procedures, or limit the level of penalties available, to one or more of the following cases in which:

- (a) the acts are for the purposes of commercial advantage or financial gain;
- (b) the acts are related to a product or service in national or international commerce; or
- (c) the acts are intended to injure the owner of such trade secret.

⁷⁸ For the purposes of this Article, “willful misappropriation” requires a person to have known that the trade secret was acquired in a manner contrary to honest commercial practices.

In the view of this ITAC, neither of these changes is problematic in a significant fashion for U.S. economic interests or are contrary to U.S. negotiating principles as laid out in TPA. In addition, neither changes the ITAC’s original views of the text, including the positive improvements that the text represents over NAFTA’s existing Chapter 1711 in areas such as civil and criminal procedures and penalties, stronger definitions for terms such as “misappropriation,” and improved obligations for government officials to protect trade secrets or confidential business information collected as part of regulatory practices. In addition, the final USMCA text still leaves unclear language in a few places that does not reflect updates in the United States’ Defend Trade Secrets Act, as laid out in the original Report.

VI. Membership of Committee

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Gilead Sciences, Inc.

Jeffrey K. Francer, Esq.
Senior Vice President and General Counsel
Association for Accessible Medicines (AAM)

Jeffrey P. Kushan, Esq.
Partner
Sidley Austin LLP
Representing Biotechnology Innovation Organization

Ms. Jennifer L. Young
Senior Director, International Policy
Pfizer, Inc.

Kevin M. Rosenbaum, Esq.
Of Counsel
Mitchell Silberberg & Knupp LLP
Representing International Intellectual Property Alliance

Leah P. Waterland
Director, Legal Services, IP Litigation
Cisco Systems, Inc.

Matthew Weston-Dawkes, Esq.
Deputy General Counsel
E. & J. Gallo Winery

Paul A. Coletti
Associate Patent Counsel
Johnson & Johnson

Mr. Roy S. Kaufman
Managing Director, Business Development
Copyright Clearance Center

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Director, International Business Policy
National Association of Manufacturers

Ms. Shawna D. Morris
Vice President, Trade Policy
National Milk Producers Federation
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Partner
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