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Protection of Intellectual Property Rights under NAFTA

Sharan Leslie Goolsby*

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I. Introduction.

Taken as a whole, the North American Free Trade Agreement (NAFTA) provisions on the protection of intellectual property represent the “highest standards of protection and enforcement so far achieved by U.S. negotiators.” Saying NAFTA represents the highest standards to date is not, however, tantamount to declaring that it actually protects intellectual property more than any other intellectual property treaty. It is not enough to say that NAFTA has higher standards for intellectual property right protection than any other international treaty. Indeed, the United States, Canada and especially Mexico must actually enforce the newly created rights for NAFTA to truly protect intellectual property rights more than any other bilateral or international agreement.

Two of NAFTA’s stated objectives relate to the protection of intellectual property rights. First, Article 102(1)(d) makes one of NAFTA’s primary objectives the “adequate and effective protection and enforcement of intellectual property rights in each Party’s territory.” The second, more generic, objective establishes the goal of creating “effective procedures for the implementation and application of this Agreement, for its joint administration and for the resolution of disputes.” The extent to which NAFTA can be said to protect intellectual property rights depends not only on the enumerated protections established to effectuate Articles 102(1)(d) and 102(1)(e), but also depends on the effectiveness of the procedures both for implementing NAFTA and for resolving associated disputes. Without effective implementation and dispute resolution, NAFTA becomes little more than a house of cards in a wind storm.

Analysis of NAFTA necessarily involves construction and interpretation of the language contained in the document. According to the Convention on the Law of Treaties (Vienna Convention), interpretation and construction of treaties should be based almost exclusively on the actual text as opposed to documents produced during negotiations (quasi-legisla-
For analytical purposes, the construction and interpretation rules contained in the Vienna Convention should be applied to the applicable NAFTA provisions.\(^7\)

NAFTA provisions relating to intellectual property include Chapter 17, Articles 2003-21, Annex 2004, and Articles 2106-07.\(^9\) Since Chapter 17 deals specifically with intellectual property, it forms the core of the following analysis. Annex 2004 expressly permits the use of the general dispute resolution provisions in disputes arising under

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7. Both Article 31 and Article 32 of the Vienna Convention relate to the construction and interpretation of treaties. Article 31, which is the general rule of interpretation, provides as follows:

1. A treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in light of its object and purpose.

2. The context for the purpose of the interpretation of a treaty shall comprise, in addition to the text, including its preamble and annexes:
   (a) any agreement relating to the treaty which was made between all the parties in connexion with the conclusion of the treaty;
   (b) any instrument which was made by one or more parties in connexion with the conclusion of the treaty and accepted by the other parties as an instrument related to the treaty.

3. There shall be taken into account, together with the context:
   (a) any subsequent agreement between the parties regarding the interpretation of the treaty or the application of its provisions;
   (b) any subsequent practice in the application of the treaty which establishes the agreement of the parties regarding its interpretation;
   (c) any relevant rules of international law applicable in the relations between the parties.

4. A special meaning shall be given to a term if it is established that the parties so intended.

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8. Even though the United States is not a party to the Vienna Convention, it generally adheres to the principles contained therein. Nevertheless, some courts may seek to rely on negotiation documents. The validity of such reliance, however, may be challenged on the principle that any documents produced during negotiations are inherently biased and tainted both by the political interests of the speaker and by negotiation posturing unrelated to the actual positions either advocated during negotiations or adopted by the treaty.

9. Even though arguments that NAFTA protects certain intellectual property rights as investments may be meritorious, this article will not discuss either the arguments or the provisions they invoke. Recourse to other sections of NAFTA should be considered as an alternative, or supplemental, source of intellectual property protection.
Chapter 17. Articles 2003-21 contain the general dispute resolution provisions and incorporate Annex 2004 by reference. Finally, Articles 2106-07 relate to Canada's controversial cultural industries exception (Cultural Industries Exception). Taken togeth-

10. Annex 2004 provides as follows:

1. If any Party considers that any benefit it could reasonably have expected to accrue to it under any provision of:
   (a) Part Two (Trade in Goods), except for those provisions of Annex 300-A (Automotive Sector) or Chapter Six (Energy) relating to investment,
   (b) Part Three (Technical Barriers to Trade),
   (c) Chapter Twelve (Cross-Border Trade in services), or
   (d) Part Six (Intellectual Property), is being nullified or impaired as a result of the application of any measure that is not inconsistent with this Agreement, the Party may have recourse to dispute settlement under this Chapter.

2. A Party may not invoke:
   (a) paragraph 1(a) or (b), to the extent that the benefit arises from any cross-border trade in services provision of Part Two or Three, or
   (b) paragraph 1(c) or (d).

Article 2101 creates general exceptions to specified rules. Although Annex 2004 specifically permits exceptions through Article 2101, Article 2101 neither includes an exception to Chapter 17 directly nor indirectly. NAFTA, supra note 2, art. 2004.

11. Id. Article 2004 applies the dispute resolution procedures of Chapter 20 as follows:

   Except for the matters covered in Chapter Nineteen (Review and Dispute Settlement in Antidumping and Countervailing Duty Matters) and as otherwise provided in this Agreement, the dispute settlement provisions of this Chapter shall apply with respect to avoidance or settlement of all disputes between the Parties regarding the interpretation or application of this Agreement or wherever a Party considers that an actual or proposed measure of another Party is or would be inconsistent with the obligations of this Agreement or cause nullification or impairment in the sense of Annex 2004.

Id. art. 2004.

12. Article 2106 states as follows: “Annex 2106 applies to the Parties specified in that Annex with respect to cultural industries.” Thus, Article 2106 is merely the means by which Annex 2106 is incorporated into NAFTA. Annex 2106 provides as follows:

   Notwithstanding any other provision of this Agreement, as between Canada and the United States, any measure adopted or maintained with respect to cultural industries, except as specifically provided in Article 302 (Market Access--Tariff Elimination), and any measure of equivalent commercial effect taken in response, shall be governed under this Agreement exclusively in accordance with the provisions of the Canada-United States Free Trade Agreement. The rights and obligations between Canada and any other Party with respect to such measures shall be identical to those applying between Canada and the United States.

Id. annex 2106. In short, the Cultural Industries Exception applies between Canada and every other Party to the same extent that it applied in the CFTA against the United States. Article 2107 defines “cultural industries” as meaning persons engaged in any of the following activities:

   (a) the publication, distribution, sale or exhibition of books, magazines, periodicals or newspapers in print or machine readable form but not including the sole activity of printing or typesetting any of the foregoing;
   (b) the production, distribution, sale or exhibition of film or video recordings;
   (c) the production, distribution, sale or exhibition of audio or video music recordings;
er, these provisions establish the framework of protection for intellectual property under NAFTA.

Chapter 17 can be broken down into four sections. The first four articles provide the basic framework for analysis. The next nine articles form the heart of NAFTA's intellectual property protection by delineating specific minimum required protections. These substantive provisions are followed by five enforcement provisions that are procedural in nature. The last three articles deal with miscellaneous matters that do not fit readily into the other categories. For example, Article 1721 includes definitions of specific phrases used throughout Chapter 17.

Chapter 17 establishes the minimum level of protection for intellectual property rights under NAFTA. Initially, Chapter 17 sets forth the nature and scope of the obligations under

(d) the publication, distribution or sale of music in print or machine readable form; or
(e) radio communications in which the transmissions are intended for direct reception by the general public, and all radio, television and cable broadcasting undertakings and all satellite programming and broadcast network services.

Id. art. 2107. Part IV below discusses the Cultural Industries Exception more fully.


15. Article 1719 and Article 1720 will not be discussed at any length in this article. Article 1719(1) requires the Parties to reach mutual agreement regarding provision of technical assistance and promotion of cooperation between their competent authorities (including training of personnel). NAFTA, supra note 2, art. 1719(1). Article 1719(2) requires the Parties to establish and notify one another of “contact points” in their federal governments and to “exchange information concerning trade in infringing goods.” Id. art. 1719(2). The purpose of mutual cooperation is elimination of “trade in goods that infringe intellectual property rights.” Id. Regarding application of Chapter 17 to existing subject matter, Article 1720 generally protects would-be infringers from retroactive effect. Specifically, Article 1720(1) states that NAFTA “does not give rise to obligations in respect of acts that occurred before” NAFTA became effective. Id. art. 1720(1). Increased protection guaranteed by NAFTA is extended to all protected intellectual property held as of the date NAFTA is acceded to by a Party. Id. art. 1720(2). With the exception of selected foreign films in the United States included in Annex 1705.7, however, Chapter 17 does not restore protection to subject matter that had fallen into the public domain. Id. art. 1717(3).

Regarding pending litigation, Article 1720(4) permits a Party to limit applicable remedies as long as equitable remuneration is made for the infringement. Article 1720(5) grants immunity from rental right obligations to purchases made prior to NAFTA's effective date, while Article 1720(6) prevents retroactive application of the anti-discrimination provisions of Article 1709(7) and the prohibition against information sharing under government authority required in Article 1709(10). Article 1720(7) addresses those situations wherein protection is conditional on registration. According to Article 1720(7), pending applications may be amended to claim any enhanced protection granted under NAFTA.

These sections, while important for a select few, will decrease in importance over time. For situations overlapping NAFTA's effective date, January 1, 1994, reference should be made directly to these provisions before any action is taken.

16. Rather than set forth an analysis of these definitions independent of their context, each of them will be discussed as they arise in the text.
NAFTA as requiring "adequate and effective protection and enforcement of intellectual property rights, while ensuring that measures to enforce intellectual property rights do not themselves become barriers to legitimate trade."17 Article 1701(2) then defines "adequate and effective protection" as, at a minimum, compliance with both Chapter 17 and the substantive provisions of the following treaties: (i) the Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of their Phonograms, 1971 (the Geneva Convention);18 (ii) the Berne Convention for the Protection of Literary and Artistic Works, 1971 (Berne Convention);19 (iii) the Paris Convention for the Protection of Industrial Property, 1967 (Paris Convention);20 and (iv) the International Convention for the Protection of New Varieties of Plants, 1978 (UPOV Convention).21 or the International Convention for the Protection of New Varieties of Plants, 1991 (UPOV Convention amended).22 Chapter 17 combined with the substantive provisions of these treaties establishes the floor for protection of intellectual property rights under NAFTA.23 By establishing a minimum level of protection in Chapter 17, NAFTA has the potential to establish a "new international norm for the protection of trademarks and copyrights."24

17. See NAFTA, supra note 2, 1701(1).
22. Amending UPOV on March, 19, 1991 (not yet in force). Article 1701(3) refers to Annex 1701.3. Annex 1701.3(1) requires Mexico to comply with either of the UPOV Conventions within two years and begin accepting applications from plant breeders effective as of the date NAFTA enters into force. Annex 1701.3 explicitly limits application of the Berne Convention's Article 6bis in the United States. Article 6bis relates to the protection of the author's non-economic, or moral, rights. Specifically, NAFTA "confers no rights and imposes no obligations on the United States with respect to Article 6bis." It is interesting to note that Mexico signed the 1978 UPOV Convention on July 25, 1979. See 19 I.L.M. 545 (1980).
NAFTA permits the Parties to extend intellectual property right protection beyond the floor outlined in Article 1701. According to Article 1702, a "Party may implement in its domestic law more extensive protection of intellectual property rights than is required under this Agreement, provided that such protection is not inconsistent with this Agreement." By limiting additional protection whenever such protection is inconsistent with NAFTA, the caveat included in Article 1702 prohibits use of Chapter 17 as an excuse for creating trade barriers. The caveats ambiguity, however, will limit its effectiveness.

Since NAFTA fails to provide objective guidelines, the question of what constitutes "inconsistent protection" is left to each party's subjective determination. Ambiguous language creates opportunities for manipulation especially when the ambiguity is resolved based on subjective, and not objective standards.

Any additional intellectual property protection provided to a Party's own nationals must be extended to the nationals of the other Parties. Article 1703(1) specifically requires each Party to "accord to nationals of another Party treatment no less favorable than it accords to its own nationals with regard to the protection and enforcement of all intellectual property rights." NAFTA's requirement that treatment to foreign nationals must be "no less favorable" than treatment of a Party's own nationals is potentially more


26. *See NAFTA, supra note 2, art. 1702.*


28. NAFTA, *supra* note 2, art. 1703. Article 1721(2) defines "nationals of another Party" as meaning the following:

[I]n respect of the relevant intellectual property right, persons who would meet the criteria for eligibility for protection provided for in the Paris Convention (1967), the Berne Convention (1971), the Geneva Convention (1971), the International Convention for Protection of Performers, Producers of Phonograms and Broadcasting Organizations (1961), the UPOV Convention (1978), the UPOV Convention (1991) or the Treaty on Intellectual Property in Respect of Integrated Circuits, as if each Party were a party to those Conventions, and with respect to intellectual property rights that are not subject to these Conventions, "nationals of another Party" shall be understood to be at least individuals who are citizens or permanent residents of that Party and also includes any other natural person referred to in Annex 201.1 (Country-Specific Definitions).

*Id.* art. 1721(2). Annex 201.1 adds the following definition of "national":

(a) with respect to Mexico, a national or a citizen according to Articles 30 and 34, respectively, of the Mexican Constitution; and

(b) with respect to the United States, "national of the United States" as defined in the existing provisions of the Immigration and Nationality Act.

*Id.* annex 201.1. At a minimum, therefore, natural citizens or residents of a Party are included as "nationals of another Party." Many of the referenced conventions also include other recognized entities within their definition of nationals covered by the convention.

forceful than the General Agreement on Tariffs and Trade (the GATT). NAFTA extends national treatment of intellectual property to encompass new developments in technology and creativity both by protecting "all intellectual property rights" and by broadly defining intellectual property rights. Intellectual property rights are defined as "copyright and related rights, trademark rights, patent rights, rights in layout designs of semiconductor integrated circuits, trade secret rights, plant breeder's rights, rights in geographical indications and industrial design rights." Computer programs are protected as literary works and, as a result, fit within the "copyright and related rights" element of the definition. Thus, new developments in computer programming should be protected whether they fall within the copyright rubric or would otherwise be protected merely as a "related right."

Although national treatment is the general rule, NAFTA includes some exceptions. Specifically, NAFTA allows reciprocal treatment of performance rights given to nationals of a Member State with respect to secondary uses of sound recordings. In other words, Party X need not accord the national of Party Y any more protection for performance rights relating to secondary uses of sound recordings than Party Y grants to Party X's nationals. In addition, Article 1703(3) permits limited derogation from the national treatment standard when the derogation relates to "its judicial and administrative procedures." Specifically, a Party is permitted to require "a national of another Party to designate for service of process an address in the Party's territory or to appoint an agent in the Party's territory."

By empowering the Parties to prevent abuse of intellectual property rights, Article 1704 adds the final element needed to round out the general framework for NAFTA's intellectual property protection. Accordingly, "[a] Party may adopt or maintain, consistent with other provisions of this Agreement, appropriate measures to prevent or control such practices or conditions." This section is closely connected to the last line of Article 1701 prohibiting erection of barriers to legitimate trade. Protection of intellectual property rights under NAFTA is limited whenever such protection serves to restrict trade. None of the Parties are permitted to use intellectual property laws, or other measures, including elimination of barriers to trade, to undermine the general purposes of NAFTA.

The purpose of this article is to critically examine NAFTA's intellectual property provisions as a way to determine the manner and extent to which it actually protects those rights. Both NAFTA's strengths and weaknesses will be highlighted during the process. Part I analyzes the minimum level of protection required by NAFTA through analysis of Chapter 17's sub-

31. Emphasis added.
32. See NAFTA, supra note 2, art. 1721(2).
33. Id. art. 1705(1)(a).
34. Emphasis added. Id. art. 1703(3).
35. Id.
36. Id. art. 1704.
37. See Mendes da Costa, supra note 29, at 67. "The object of chapter 17 is to provide adequate and effective protection and enforcement of intellectual property rights while, at the same time, ensuring that measures to enforce intellectual property rights do not themselves become barriers to trade." Id.
stantive provisions and the substantive provisions of its four incorporated treaties. Part II focuses on protection of intellectual property rights, emphasizing existing problems with protection or enforcement by the Member States. Part III explores Chapter 17's specific enforcement provisions and Chapter 20's general enforcement provisions. Finally, Part IV wrestles with the question of the effectiveness of NAFTA's protection of intellectual property rights.

II. NAFTA Requires a Minimum Level of Protection for Intellectual Property Rights.

Chapter 17 of NAFTA prescribes the minimum level for "adequate and effective" protection of intellectual property. As mentioned above, Member States must satisfy the requirements of both Chapter 17 and the substantive provisions of the listed treaties. These sources are not mutually exclusive, but instead overlap significantly. To avoid unnecessary repetition, the discussion of the relevant treaties will be limited to those substantive provisions not included in Chapter 17's requirements.

A. Protection Required Under Chapter 17.

NAFTA outlines specific commitments regarding the protection of copyrights, sound recordings, satellite transmissions, trademarks, patents, semiconductor integrated circuits, trade secrets, geographical indications, industrial designs, and plant breeder's rights. Two additional issues bear mentioning: (i) NAFTA fails to address the parallel imports/grey goods problem; and (ii) NAFTA explicitly does not protect biochemical innovations.

1. Article 1705: Copyright.

Although many of the features included in NAFTA were already part of the Member States' law, NAFTA's negotiators sought to clarify and extend the protection of some rights. For example, NAFTA includes protection for the right of first publication, rental rights, and importation rights. To avoid confusion associated with distinctions between the protection of copyrighted works and their related or neighboring rights by Member States, NAFTA defines intellectual property rights as including both "copyright and related rights." Under this interpretation, a Member State could not give less protection to related rights than would be given to core copyright works.

a. Works Protected.

NAFTA's protection extends to works covered by Article 2 of the Berne Convention and any other works embodying original expression within that Convention's mean-
ing.\textsuperscript{41} Specifically, Article 2(1) of the Berne Convention protects: "'literary and artistic works' [which] include every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression, such as books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature; dramatic or dramatico-musical works; choreographic works and entertainments in dumb show; musical compositions with or without words; cinematographic works to which are assimilated works expressed by a process analogous to cinematography; works of drawing, painting, architecture, sculpture, engraving and lithography; photographic works to which are assimilated works expressed by a process analogous to photography; works of applied art; illustrations, maps, plans, sketches and three-dimensional works relative to geography, topography, architecture or science."\textsuperscript{42}

In addition to incorporating the protection of copyright embodied in the Berne Convention, NAFTA specifically protects two additional types of work. First, NAFTA explicitly requires members to protect "all types of computer programs [as] literary works within the meaning of the Berne Convention."\textsuperscript{43} Second, NAFTA protects "compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations."\textsuperscript{44} The two provisions are related to the extent that compilations of data include the protection of databases—a critical factor to the value of many computer programs.

Consistent with current developments in U.S. law, the protection of such compilations is limited to the arrangement or selection of the material.\textsuperscript{45} NAFTA is consistent with \textit{Feist Publications Inc. v. Rural Telephone Service Co.}\textsuperscript{46} \textit{Feist} held that only an original selection and arrangement of data contained in a phone directory may be protected by U.S. copyright law as a compilation. Accordingly, the substantive information or material in the compilation, in this case names and addresses, is not protected by the copyright.\textsuperscript{47}

\textsuperscript{41} Article 1705(1) provides in full as follows:

Each Party shall protect the works covered by Article 2 of the Berne Convention, including any other works that embody original expression within the meaning of that Convention. In particular:

(a) all types of computer programs are literary works within the meaning of the Berne Convention and each Party shall protect them as such; and

(b) compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations, shall be protected as such.

The protection a Party provides under subparagraph (b) shall not extend to the data or material itself, or prejudice any copyright subsisting in that data or material.

NAFTA, supra note 2, art. 1705(1); see also Michelle Bodine-Keely, \textit{Software Copyright Protection in the NAFTA and Berne Regimes: A Comparative Analysis of U.S. and Canadian Copyright Law}, 1 TULSA J. COMP. \\& INT'L L. 375 (1994) (presenting an overview of the improvements and shortcomings of NAFTA as compared to the Berne Convention).

\textsuperscript{42} Berne Convention, \textit{supra} note 19, art. 2(1).

\textsuperscript{43} NAFTA, \textit{supra} note 2, art. 1705(1)(a); see also \textit{Potential Impact}, \textit{supra} note 24, at 10.

\textsuperscript{44} NAFTA, \textit{supra} note 2, art. 1705(1)(b) (emphasis added).

\textsuperscript{45} \textit{See id.} art. 1705(1).


\textsuperscript{47} \textit{Id.}
b. Rights Extended.

The rights in these works not only include those enumerated in the Berne Convention as incorporated by Article 1705(2), but also include the right to authorize or prohibit specified additional rights.48 The Berne Convention sets forth the exclusive rights in Articles 8 through 15. Generally, the rights include: (i) the translation right, the "exclusive right of making and of authorizing the translation" of the authors' works,49 (ii) the reproduction right, the "exclusive right of authorizing the reproduction of these works, in any manner or form" where reproduction includes sound and visual recordings50 (as limited by Article 13); (iii) a performance right, the "exclusive right of authorizing . . . the public"51 performance of "dramatic, dramatico-musical and musical works, including any communication to the public;"52 (iv) a broadcasting right, the "exclusive right of authorizing . . . the broadcast of [an author's literary and artistic] works or the communication thereof to the public" either by wireless signals or by wire or rebroadcasting;53 (v) a recitation right, the "exclusive right of authorizing . . . the public recitation of [an author's literary] works, including such public recitation by any means or process [and] any communication to the public of the recitation of their works;"54 (vi) a derivative right, the "exclusive right of

48. Article 1705(2) provides as following:
    Each Party shall provide to authors and their successors in interest those rights enumerated in the Berne Convention in respect of works covered by paragraph 1, including the right to authorize or prohibit:
    (a) the importation into the Party's territory of copies of the work made without the right holder's authorization;
    (b) the first public distribution of the original and each copy of the work by sale, rental or otherwise;
    (c) the communication of a work to the public; and
    (d) the commercial rental of the original or a copy of a computer program.
Subparagraph (d) shall not apply where the copy of a computer program is not itself an essential object of the rental. Each Party shall provide that putting the original or a copy of a computer program on the market with the right holder's consent shall not exhaust the rental right.

NAFTA, supra note 2, art. 1705(2); see also Bodine-Keely, supra note 40 (analyzing the tests used by the United States and Canada for determining copyright infringement).

49. Berne Convention, supra note 19, art. 8.

50. Id. art. 9.

51. Article 1721 defines "public" as follows:
    under Articles 11, 11bis (1) and 14(1)(ii) of the Berne Convention, with respect to dramatic, dramatico-musical, musical and cinematographic works, at least, any aggregation of individuals intended to be the object of, and capable of perceiving, communications or performances of works, regardless of whether they can do so at the same or different times or in the same or different places, provided that such an aggregation is larger than a family and its immediate circle of acquaintances or is not a group comprising a limited number of individuals having similarly close ties that has not been formed for the principal purpose of receiving such performances and communications of works.

NAFTA, supra note 2, art. 1721 (emphasis added). This definition applies to every use of public in the Berne Convention.

52. Berne Convention, supra note 19, art. 11.

53. Id. art. 11bis.

54. Id. art. 11ter.
authorizing adaptations, arrangements and other alterations of their works;"55 (vii) a conversion right, the "exclusive right of authorizing . . . the cinematographic adaption and reproduction of these works, and the distribution of the works thus adapted or reproduced [and] the public performance and communication to the public by wire;"56 (viii) a movie right, the copyright owner of a "cinematographic work shall enjoy the same rights as the author of an original work"57 (with some exceptions); and (ix) a collection right, authors shall "enjoy the inalienable right to an interest in any sale of the work subsequent to the first transfer by the author of the work."58

NAFTA supplements these general rights with four additional rights. First, authors and their successors have the right to authorize or prohibit the importation of unauthorized copies.59 However, NAFTA fails to define "author," leaving open the question as to whether a person or an entity, or both, may be protected as an author under this section. Second, authors have the right to authorize or prohibit the "first public distribution of the original and each copy of the work by sale, rental or otherwise."60 Third, authors similarly control "communication of the work to the public."61 Finally, authors have the right to authorize or prohibit the "commercial rental of the original or a copy of a computer program."62 Authorization or prohibition relating to computer program rentals, however, does not apply whenever the computer program is not an "essential object" of the rental.63 Nevertheless, for those computer programs protected by Article 1705(2)(d), marketing the computer program explicitly does not exhaust the right holder's rental rights.

The preceding rights are not restricted to the original holder of a copyright or related right.64 NAFTA superficially addresses the protection of rights acquired by contract, guaranteeing "severability of the rights granted under copyright law."65 Article 1705(3) protects both the right to transfer economic rights and the right to exercise economic, not moral, rights acquired by contract.66 This provision contains several issues that are likely to create

55. Id. art. 12.
56. Id. art. 14.
57. Id. art. 14bis.
58. Id. art. 14ter.
59. NAFTA, supra note 2, art. 1705(2)(a).
60. Id. art. 1705(2)(b).
61. Id. art. 1705(2)(c).
62. Id. art. 1705(2)(d).
63. Id. art. 1705(3)(a). Whether or not the copy of the computer program is an "essential object" of the rental will likely be a point of considerable debate and litigation in the future.
64. Each Party shall provide that for copyright and related rights:
(a) any person acquiring or holding economic rights may freely and separately transfer such rights by contract for purposes of their exploitation and enjoyment by the transferee; and
(b) any person acquiring or holding such economic rights by virtue of a contract, including contracts of employment underlying the creation of works and sound recordings, shall be able to exercise those rights in its own name and enjoy fully the benefits derived from those rights.
Id. art. 1705(3).
66. Apparently, NAFTA adopts the concept that moral rights, to the extent they are protected in NAFTA, are inalienable rights.
disputes. Since NAFTA fails to define economic rights, defining the parameters of economic rights within the context of this provision will be necessary. Also, NAFTA empowers the transferee to exercise rights acquired "by virtue of a contract." NAFTA does not, however, expressly prohibit enforcement of contracts entered into under undue influence such as duress, fraud or coercion. Nevertheless, an author can legitimately argue against enforcement of such a contract based on the inclusion of the words "freely and separately" in Article 1705(3)(a). Arguably, these terms qualify which transfers should be honored under NAFTA. Litigation will surely arise where a transferor challenges the validity of a contract based on claims of undue influence.

An additional wrinkle in the contract problem relates to choice of law. Absent a choice of law provision in the contract, a court applies the choice of law doctrines of its jurisdiction. Choice of law rules vary from one jurisdiction to another within the United States as well as within both Canada and Mexico. Currently, international law does not apply in ordinary contract cases. An exception to this general rule is the Convention on Contracts for the International Sale of Goods (CISG). Although intellectual property does not fit within the generally accepted definition of goods in the CISG, one could argue that computer software and other intangible goods (including some varieties of copyright) should either be covered by the CISG or be treated analogously.

Domestic contract law is more likely to be applied both to determine enforceability and to interpret the terms of a contract. Since NAFTA encompasses three federal systems differing in their enforcement and interpretation of contracts, the issue is far more complex than it initially appears. Although many of these jurisdictions agree on general principles of law, even subtle differences in the application of general principles to a given contract can result in significant, if not dramatic, differences in outcome. This is true of courts applying the same, or substantially similar, rules of decision. The risk of radically divergent outcomes is exacerbated when varying general principles are applied.

A simple example can be taken from Texas jurisprudence. Texas law follows a minority position requiring an acceptance to mirror the offer in order to be effective. The precise formulation of the offer and acceptance therefore becomes of critical importance to the existence of a contract. A contract that might otherwise be enforceable could be invalidated by the mere fact that the offeree failed to frame the acceptance in the proper manner. The Texas formulation proposes only one among a virtually unlimited range of problems with applying Article 1705(3) — an otherwise simple and straightforward provision.

A question also arises as to which of the general enforcement provisions apply to the contract provision of the copyright section. If a contract is classified as a commercial transaction, then the Parties may invoke Article 2022's alternative dispute resolution provision for commercial disputes. Otherwise, the Parties must rely on recourse to the consultation, conciliation, and panel processes outlined in Chapter 20.

Finally, NAFTA's formulation of the rights, both authorizing and prohibiting the exercise of specified rights, encompasses more than direct infringements. Through NAFTA,

67. NAFTA, supra note 2, art. 1705(3)(b).
68. Id. art. 1705(3)(a).
70. Commonly known as the "mirror image rule."
71. See infra Part III.B.
copyright holders can sue others who merely usurp their right to authorize exercise of NAFTA generated rights. The copyright holder is no longer limited to the actual infringer – the holder may pursue the behind-the-scene actors instigating or participating in the infringement. This provision accords with recent U.S. case law extending a copyright holder's rights to include the right to forbid the illicit authorization of an infringing act, even if that act occurs in another country. Interpretation of the authorization prong of NAFTA's rights will more likely than not lead to extensive litigation as to how far back in the chain of events a copyright holder may go to seek recovery and impose liability.

c. Term.

According to Article 1705(4), NAFTA requires a minimum term of protection. When the term is not based on the life of a natural person, NAFTA requires the term to be a minimum of fifty years. This term starts either fifty years from first publication or within fifty years of creation. The terms start to run at the end of the applicable calendar year.

d. Restrictions.

Article 1705 constrains a Party's ability to limit the protections specified in NAFTA, including a Party's ability to grant translation and reproduction licenses. Since Articles 1706(3), 1709(6), and 1713(4) mirror the provisions in Article 1705(5), the problems noted herein relating to 1705(5) are equally applicable to those sections.

(i) Constraints on Limitations and Exceptions.

The limitations and exceptions provisions apply only to those Articles where they are specifically included. The formulation of these provisions present four interpretative problems. First, the provision purportedly only applies to special cases, but fails to include any guidelines for determining what qualifies as a special case. Three other phrases have a similar defect rendering the section unnecessarily vague and ambiguous. The limiters not only fail to perform their function, they also create a loophole that has the potential for undoing any advances made in copyright, sound recording, trademark, and industrial design protection. The three other phrases are highlighted in the following excerpt: "each Party shall confine limitations or exceptions to the rights provided for in this Article to certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder." What conflicts with normal exploitation and by what measure are we to judge unreasonable prejudice? Who decides the parameters of the right holder’s legitimate interests (assuming of course that the ques-

72. Peter Starr Prod. Co. v. Twin Continental Films, 783 F.2d 1440 (9th Cir. 1986).
73. Article 1705(4) provides as follows:

Each Party shall provide that, where the term of protection of a work, other than a photographic work or a work of applied art, is to be calculated on a basis other than the life of a natural person, the term shall be not less than 50 years from the end of the calendar year of the first authorized publication of the work or, failing such authorized publication within 50 years from the making of the work, 50 years from the end of the calendar year of making.

NAFTA, supra note 2, art. 1705(4).
74. Id. art. 1705(5). Both “normal” and “unreasonably prejudice” are inherently vague terms.
tion of who is the applicable right holder is not also an issue)? Although intellectual property protection should not be absolute, "any allowed exceptions to the exclusive rights must be narrowly and carefully drawn." Even though the provisions were carefully drafted, the exception provisions in Chapter 17 were not narrowly drawn.

Absent clear-cut guidelines, resolution of these issues depends on the effectiveness of the enforcement process. As the enforcement sections below suggest, NAFTA's enforcement mechanisms depend on the cooperation of each Party's judicial system and on the willingness of the Member States to take the issue to the tribunal (once it is formed). The interpretative and enforcement problems are compounded by the multiplicity of national forums addressing each issue. The potential for differences in interpretation and application of NAFTA's provisions is sufficiently problematic without adding ambiguity to the mix.


NAFTA limits the application of the Berne Convention's translation and reproductive licenses provisions. The Appendix to the Berne Convention grants member countries the right to "substitute for the exclusive right of translation provided for in Article 8 a system of non-exclusive and non-transferable licenses." A similar provision in the Appendix enables a member country to create a licensing system to substitute for the reproduction rights included in Article 9 of the Berne Convention. NAFTA, however, limits the rights conferred by the Berne Convention to those cases where the Party's legitimate ends could be met through the "right holder's voluntary actions but for obstacles created by the Party's measures." The potential benefit of this section includes the opening of opportunities for right holders to have more control over the translation and reproduction of their works. The extent to which the potential is realized, however, depends on Party cooperation in the dismantling of state-mandated licensing systems. Like many other NAFTA provisions, the determination of whether legitimate needs could be met is a theoretical question usually resolved by leaders of a Member State having a vested interest in the outcome.

e. Annex Provisions Relevant for Copyright Protection.

Two particular Annex provisions relate specifically to copyright protection. First, the United States is required to provide copyright protection to a select group of films injected into the public domain for failure to comply with applicable notice requirements. Second, the United States specifically excepted moral rights obligations arising under the Berne Convention.

75. Levy & Weiser, supra note 23, at 681.
76. See Berne Convention, supra note 19, app. art. II.
77. See id. app. art. III.
78. NAFTA, supra note 2, art. 1705(6) (emphasis added). In full, Article 1705(6) provides that: "No Party may grant translation and reproduction licenses permitted under the Appendix to the Berne Convention where legitimate needs in that Party's territory for copies or translations of the work could be met by the right holder's voluntary actions but for the obstacles created by the Party's measures."
79. Resolution of such theoretical questions relating to treaty interpretation and application is frequently left to the Parties. Frequent deference to the Parties' interpretation does not, however, indicate that the Parties resolve those questions either uniformly or without difficulty.
(i) Resurrection of U.S. Copyright Protection for Foreign Films.

Although the impact of NAFTA on the U.S. system of intellectual property protection is limited, some provisions will have a decisive impact on intellectual property disputes. One such provision is Annex 1705.7 – extending protection to selected motion pictures formerly injected into the public domain.\textsuperscript{80} Article 1705(7) incorporates Annex 1705.7 by reference.\textsuperscript{81} NAFTA Implementation Act authorized the Copyright Office to establish rules and regulations governing this extension of copyright protection to qualified works.\textsuperscript{82} After setting forth the relevant section of NAFTA, the following discussion outlines the eligibility requirements for acquiring copyright protection as mandated by NAFTA and its implementing legislation.

Annex 1705.7 states: “the United States shall provide protection to motion pictures produced in another Party’s territory that have been declared to be in the public domain pursuant to 17 U.S.C. section 405. This obligation shall apply to the extent that it is consistent with the U.S. Constitution, and is subject to budgetary considerations.”\textsuperscript{83} The provision purportedly restores copyright protection to the covered work. The term would seem to be a misnomer, however, since the works were never protected by U.S. copyright protection.\textsuperscript{84}

Three critical issues remain unaddressed both by this provision and by its implementing legislation. First, whether the United States will be required to extend protection to unprotected motion pictures of other countries that ascend to NAFTA under Article


\textsuperscript{81} Article 1705(7) provides as follows: “Annex 1705.7 applies to the Parties specified in that Annex.” NAFTA, supra note 2, art. 1705(7).

\textsuperscript{82} See The Copyright Act of 1976, 17 U.S.C. § 104A (1976) (amended 1994) [hereinafter Section 104A]; 37 C.F.R. § 201.31 (1994) (providing procedures for copyright restoration); and 59 F.R. 1408 (1994) (providing notice of copyright restoration). The Uruguay Round Agreements Act, 108 Stat. 4809 (1994) [hereinafter Uruguay Round Agreement] (enacted Dec. 8, 1994), makes significant changes to the terminology of Section 104A. Since the focus of this thesis is on the protection of intellectual property under NAFTA, a detailed explication of these changes will not be provided herein. The amendments made pursuant to the Uruguay Round Agreements, however, do not change the substantive provisions of NAFTA. Instead, the amendments fill in some of the gaps left open by NAFTA implementing regulations. For example, the statutes and regulations outlined in this thesis fail to address either the issue of applicability of this section of NAFTA to new parties to the agreement or the treatment of derivative works based on the restored works prior to their restoration. Both issues are addressed in the Uruguay Round amendments. See 108 Stat. at 1476-79.

\textsuperscript{83} NAFTA, supra note 2, annex 1705.7.

\textsuperscript{84} But see Jonathan D. Reichman & Joshua R. Bressler, After NAFTA, U.S. Resurrects Copyright in Public Domain Works, 8 N.Y. L. J. 5 (Oct. 28, 1994). The article explains the rationale behind the resurrection concept. In theory, the United States protected the foreign films during the very short period of time between first publication and injection of the works into the public domain for failure to provide proper notice. The United States used this technical argument to avoid retroactive application of the Berne Convention’s Article 18, requiring protection of all works which have not fallen into the public domain through expiration of the applicable term of protection.
2204. If so, given the filing deadline in the Copyright Offices’ procedures, it would seem that the Copyright Office would be required to promulgate new rules for each new Party to NAFTA. If so, for how many signatories? Alternatively, would NAFTA permit the United States to reserve Annex 17 to new members? The second issue is whether the restoration is in fact consistent with the U.S. Constitution. Melville Nimmer, a well-respected intellectual property author, argues that once a work falls into the public domain it cannot be restored. Notwithstanding the uncertainties inherent in the provision and unless, or until, the provision is deemed unconstitutional, covered works are withdrawn from the public domain as long as the proper procedures are followed. Third, neither NAFTA nor its implementing legislation resolves how U.S. copyright law will treat derivative works based on these works before they were restored.

As a general rule, eligibility of a motion picture or any work included therein for copyright restoration under NAFTA requires that the motion picture either must have been first fixed in Mexico or Canada and entered the public domain in the United States because of first publication anywhere on or after January 1, 1978, and before March 1, 1989, without the required copyright notice, or, regardless of where it was fixed, must have entered the public domain in the United States because of first publication in Mexico or Canada on or after January 1, 1978, and before March 1, 1989, without the required copyright notice. Further, for copyright to be restored in an eligible work, a complete Statement of Intent must be filed with the Copyright Office by the potential copyright owner or an authorized agent on or before December 31, 1994.

85. As mentioned in footnote 82, the Uruguay Round Agreements Act addresses this issue. According to the new Section 104A(g), the President has the power to extend restored protection to any work where either “one or more of the authors is, on the date of first publication, a national, domiciliary, or sovereign authority of [a nation extending similar protection to U.S. nationals or domiciliaries] or which was first published in that nation.” The new Section 104A also gives the President permission to “revise, suspend, or revoke” the protection or to “impose any conditions or limitations on protection.” Uruguay Round Agreements § 104A. To whatever extent that NAFTA’s restoration provision is of questionable constitutionality, this provision is even more questionable. As a practical matter, the uncertainty of either provisions’ constitutionality limits the marketability of films protected under Section 104A.

86. See 1 NIMMER ON COPYRIGHT n.37, §§ 1.05[a], 1.11 & 2.03. Note, however, that there are two precedents which arguably establish the constitutionality of limited restoration. Following both World War I and World War II, protection was extended retroactively to works that had lost copyright protection due to wartime conditions. See The Act of December 1819, 41 Stat. 368 (providing a 15 month window for restoration) and The Act of September 25, 1945, 55 Stat. 732. The argument falters when confronted with the fact that these films were never actually protected by copyright laws. Alternatively, since protection of foreign films resides within the area of international affairs, the Executive Branch arguably should control their protection. See also Reichman & Bressler, supra note 84.

87. Application of the restoration provision is unnecessary if the failure to include the copyright notice is excused under 17 U.S.C. § 405 (1996). Section 405 excuses failure to give a proper notice if the omission was limited to a small number of copies, if proper registration is or was made within five years after publication and a reasonable effort is made to add the notice to copies already distributed or if the copyright holder withheld the notice based on the express written requirement that a notice would be included prior to public distribution. However, excused omission does not empower the copyright owner to hold innocent infringers liable. 17 U.S.C. § 405(b) (1996).

domain for failure to meet the requirements of the U.S. copyright law for publication with notice between January 1, 1978 and March 1, 1989.89

The scope of NAFTA's restoration provision is much broader than initially appears. The restoration provision applies to "motion pictures" or any work included therein. Section 101 of the U.S. Copyright Act defines "motion pictures" as "audiovisual works consisting of a series of related images which, when shown in succession, impart an expression of motion, together with accompanying sounds, if any."90 Any motion picture fitting this description would be covered by Annex 1705.7 and its implementing regulations as long as it was either fixed or first published in either Mexico or Canada. Section 101's requirements for fixation include embodiment in a tangible medium such as filmstock or videotape "by or under the authority of the author."91 Even though the fixation requirement is easily satisfied, the place of fixation can be restrictive.

Whereas the fixation requirement is clearly tied to physical boundaries, the first publication requirement is not. According to Article 3(4) of the Berne Convention, works published in two or more countries within thirty days of its first publication "shall be considered as having been published simultaneously in several countries."92 Thus, if a work was published in two or more states that are members of the Berne Convention, then the work should, or could, be considered as being published in either Mexico or Canada. The implications of this fact are clearer when considered in light of section 101's definition of publication. According to section 101, publication is either in the distribution of copies to the public for sale or other transfer of ownership "or by rental, lease, or lending" or in the "offering to distribute copies . . . to a group of persons for purposes of further distribution, public performance, or public display."93 Since the copyright owner has the option to rely on either fixation or first publication, the restoration regulations include motion pictures merely offered for distribution as well as those actually distributed.

Even though the potential applicability of Annex 1705.7 is broad, the implementing statute limits its applicability. Specifically, the U.S. Copyright Office required submission of a Statement of Intent between January 1, 1994 (NAFTA's effective date) and December 31, 1994.94 The Statement would notify the public of the copyright owner's intent to restore U.S. copyright protection for the covered works.95 After January 1, 1995, the Copyright

91. Id.
92. Berne Convention, supra note 19, at 3(4).
94. According to the Copyright Office, only around 300 titles satisfied the filing requirements.
95. The Statement of Intent must include the following. First, it should be clearly designated as a "Statement of Intent to restore copyright protection in the United States in accordance with the North American Free Trade Agreement." Second, the Statement must include: (i) [t]he title(s) of the work(s) for which copyright restoration is sought; (ii) nation of first fixation; (iii) nation of first publication; (iv) date of first publication; (v) name and mailing address (and telephone and telefax, if available) of the potential copyright owner of the work; and (vi) the required certification that is signed and dated by the potential owner or authorized agent. See 37 C.F.R. § 201.31 (1994). The Statement must have been received by December 31, 1994. Finally, the Statement must be either typewritten or legibly printed in English on standard sized paper (8 1/2" by 11"). Id.
Office published a list of the qualifying works in the Federal Register. Although restoration of copyright protection for eligible works is effective on January 1, 1995, the protection is limited to the remainder of the term to which the work would have been entitled to if it had been published with the required notice.\(^\text{96}\) Originally an important caveat was the provision of a one-year exemption period for U.S. nationals and domiciliaries who made or acquired copies of the qualified work before December 8, 1993.\(^\text{97}\) Qualifying individuals were permitted to continue to sell, distribute or publicly perform such works without liability for one year after the Copyright Office published the list of works in the Federal Register (after January 1, 1995). The limited exemption period has now lapsed and should prove irrelevant for the future protection of copyright.

(ii) Unenforceability of Moral Rights Against the United States Pursuant to NAFTA.

The recent U.S. accession to the Berne Convention did not establish absolute, or even near absolute, protection of moral rights in the United States. To the contrary, the United States only acceded to the Berne Convention with the implicit understanding that current U.S. copyright law minimally satisfied Berne Convention requirements for the protection of moral rights. The United States bases its protection of intellectual property on the need for economic rights to promote creativity and innovation. Unlike the majority of first world countries, U.S. copyright law does not recognize the need for, or the existence of, an author's moral rights. The first formal move toward moral rights protection came in 1990 when Congress enacted limited moral rights protection for visual art works.\(^\text{98}\) Pursuant to Annex 1701.3(2), the United States prevented NAFTA from further extending moral rights protection within its borders by stating that “this Agreement confers no rights and imposes no obligations on the United States” under the moral rights provision of the Berne Convention.

2. Article 1706: Sound Recordings.

As mentioned above, Article 1701(2)(a) requires each Party to adopt measures that give effect to the substantive provisions of the Geneva Convention.\(^\text{99}\) According to the Geneva Convention, the Member States must protect producers of phonograms\(^\text{100}\) against the following infringing acts: (i) the “making of duplicates without the consent of the producer;” (ii) the “importation of such duplicates;” and (iii) the “distribution of such duplicates to the public.”\(^\text{101}\) Article 2 of the Geneva Convention adds the caveat that any making

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99. The United States and Mexico are already signatories to the Geneva Convention as of 1974 and 1973, respectively. Canada has yet to accede to the Convention.
100. Article 1 of the Geneva Convention defines “phonogram” as meaning “any exclusively aural fixation of sounds of a performance or of other sounds.” Geneva Convention, supra note 18, art. 1. The same Article defines “producer of phonograms” as meaning “the person who, or the legal entity which, first fixes the sounds of a performance or other sounds.” Id.
101. Id. art. 2.
or importation rights protected under the Geneva Convention must be for the "purpose of distribution to the public." Thus, only public, not private, rights are protected under the Convention. By including new rights and guaranteeing a minimum term for protection, NAFTA's provisions increase the protection afforded to sound recordings over and above the protections provided by the Geneva Convention.

a. Rights.

According to Article 1706(1), the rights to sound recordings belong to the producer of the sound recording. Producers have the right to "authorize or prohibit:" (i) both the direct and indirect reproduction of the protected sound recording; (ii) the importation of unauthorized sound recordings; (iii) first public distribution by sale, rental or otherwise; and (iv) the commercial rental of a protected sound recording. The commercial rental right is limited by contract between the producer and the authors of the works fixed in the sound recording. Regarding rental right exhaustion, Article 1706(1) provides that "putting the original or a copy of the sound recording on the market with the right holder's consent shall not exhaust the rental right."

102. Scott J. Fields, *Intellectual Property; NAFTA Would Extend Protection of Rights; Historic Changes Expected if Pact is Ratified*, LEGAL INTELLIGENCER 9 (Sept. 29, 1993). "Under NAFTA, producers of sound recordings may authorize or prohibit the reproduction, importation, first public distribution and commercial license of their works." Id.

103. In full, Article 1706(1) provides as follows:

Each Party shall provide to the producer of a sound recording the right to authorize or prohibit:

(a) the direct or indirect reproduction of the sound recording;
(b) the importation into the Party's territory of copies of the sound recording made without the producer's authorization;
(c) the first publication of the original and each copy of the sound recording by sale, rental or otherwise; and
(d) the commercial rental of the original or a copy of the sound recording, except where expressly otherwise provided in a contract between the producer of the sound recording and the authors of the works fixed therein.

Each Party shall provide that putting the original or a copy of a sound recording on the market with the right holder's consent shall not exhaust the rental right.

NAFTA, supra note 2, art. 1706(1).

104. This proviso protects authors of the musical compositions fixed in the sound recording. Contrary to some interpretations, the original right is granted to the producer of the sound recording unless "expressly otherwise provided in a contract." The contributors to a book produced by Paul, Hastings, Janofsky & Walker erroneously assert that NAFTA "requires both the producer of the sound recording and the composers of the musical compositions embodied therein to consent to such rental." PAUL, ET AL., NORTH AMERICAN FREE TRADE AGREEMENT: SUMMARY AND ANALYSIS 87 (1993). The owner of the copyright to a musical composition must expressly provide for control over the commercial rental right to secure NAFTA's protection. In practice, U.S. recording companies "would not, by contract, relinquish the rental right at the request of the authors of a work embodied in a sound recording." RICHARD E. NEFF & FRANK SMALLSON, NAFTA: PROTECTING AND ENFORCING INTELLECTUAL PROPERTY RIGHTS IN NORTH AMERICA 39 (1994). Although this may be true, a producer may agree to share the proceeds from commercial rentals with a musical composer. It is important to note, however, that this provision gives the producer the leverage at the bargaining table because any rights granted to the composer must be expressly provided in a contract to be effective under NAFTA. According to Neff, Mexican negotiators wanted to ensure this right, albeit theoretical, to be consistent with Mexican law. Id.
er's consent shall not exhaust the rental right." This prevents purchasers, whether private or public, from renting a copy without the producer's permission.

As mentioned under the copyright section, NAFTA enables the right holder to reach more infringers by including the right to authorize as well as prohibit reproduction. As a result, a purchaser is prevented from authorizing rentals of a protected sound recording to the same extent that the purchaser is prevented from actually renting said sound recording. For sound recordings, the protection of both direct and indirect reproduction is crucial. Otherwise, a sound recording played over the radio could be recorded and mass produced to compete with the original. The importation clause implicitly addresses this problem by granting the producer the right as it relates to copies of the sound recording instead of limiting protection to authorized copies.

b. Term.

NAFTA's Article 1706(2) requires each Party to extend protection of sound recordings for at least fifty years from the end of the calendar year in which the recording was fixed. Fixation of sound recordings is another crucial term left undefined by NAFTA.

c. Restrictions.

In addition to Article 1706(3)'s restricting limitations and exceptions discussed above, NAFTA does not require national treatment of a performer's rights regarding secondary uses of sound recordings. Instead, NAFTA merely requires reciprocity. In other words, Mexico need not extend the same level of protection to Americans or Canadians as it gives to its own citizens. According to Mexican law, performers are "entitled to receive a royalty for the broadcasting or other public communication of a sound recording." As long as the United States and Canada do not provide for such royalties, Mexico has no obligation to require payment of royalties to Canadian or American nationals. If, however, either the United States or Canada begins to require payment of royalties, then Mexico will be required to give reciprocal treatment. More specifically, Mexico would then be required, under NAFTA's theory of reciprocity, to require payment of royalties to nationals of the Party requiring payment of royalties.

105. Emphasis added.
106. Article 1706(2) provides as follows: "Each Party shall provide a term of protection for sound recordings of at least 50 years from the end of the calendar year in which the fixation was made." NAFTA, supra note 2, art. 1706(2).
107. See infra Part I.A.1(d)(1). Article 1706(3) provides that: "Each Party shall confine limitations or exception to the rights provided for in this Article to certain special cases that do not conflict with a normal exploitation of the sound recording and do not unreasonably prejudice the legitimate interests of the right holder." NAFTA, supra note 2, art. 1706(3).
108. See supra at Introduction.
109. Levy & Weiser, supra note 23, at 676.
110. See supra at Introduction.
111. Neff & Smallson, supra note 104, at 40.
3. **Article 1707: Protection of Encrypted Program-Carrying Satellite Signals.**

The issue of theft of encrypted program-carrying satellite signals spawned considerable debate during NAFTA negotiations. Effective January 1, 1995, NAFTA imposed both criminal and civil liability relating to unauthorized appropriation and use of encrypted satellite signals. Article 1707 does not, however, make non-commercial receipt of such signals either a criminal or a civil offense. The absence of a provision addressing unauthorized receipt of encrypted satellite signals reflects the Mexican concern that intellectual property rights "should focus on the underlying work and its infringement, rather than on receipt of the signal itself."114

a. **Criminal Offense.**

Article 1707(a) makes it a criminal offense “to manufacture, import, sell, lease or otherwise make available a device or system that is primarily of assistance in decoding an encrypted program-carrying satellite signal without the authorization of the lawful distributor of such signal.” Since it includes the catch-all phrase “or otherwise make available,” the Article effectively proscribes distribution of decoding devices as a general matter. The inclusion of the qualifier “primarily,” however, undermines the strength of the catch-all phrase. Thus, NAFTA gives with one hand and takes away with the other. Article 1707 creates the threshold question of whether the device is primarily, or merely secondarily, a decoder. When in doubt, criminal sanctions will most likely be withheld – especially in Mexico where enforcement is already problematic.

b. **Civil Offense.**

Article 1707(b) makes commercial receipt and further distribution of an unauthorized signal a civil offense. While the seller of such a signal is subjected to criminal liability, commercial recipients only risk civil liability. The saving grace of this concession is the lack of a *mens rea* requirement for liability to be imposed. Additionally, Article 1707 gives standing to “any person that holds an interest in the content of such signal,” not merely the producer of a stolen signal. The volume of potential plaintiffs is vastly increased by this relatively small caveat. The absence of a *mens rea* requirement, combined with increased access to the courts created by the broad grant of standing to sue, reduces the diluting impact of opting for civil rather than criminal liability.

4. **Article 1708: Trademarks.**

The trademark provisions contained in Article 1708 are purportedly the “least controversial of [NAFTAs] intellectual property provisions.”116 The most strident criticism of trademark protection under NAFTA relates to Mexico’s “public policy” authority to regulate the use

112. *Id.* at 44.
113. NAFTA, *supra* note 2, art. 1707.
114. NEFF & SMALLSON, *supra* note 104, at 44.
115. Article 1707(b) requires each Party to make it: “a civil offense to receive, in connection with commercial activities, or further distribute, an encrypted program-carrying satellite signal that has been decoded without the authorization of the lawful distributor of the signal or to engage in any activity prohibited under subparagraph (a).” NAFTA, *supra* note 2, art. 1707(b).
of trademarks.\textsuperscript{117} NAFTA's provisions relating to trademark, however, are vague generalizations. These provisions leave ample discretion to member countries regarding the manner of compliance and the extent of actual protection. In fact, the bulk of the trademark provisions deal with registration and use issues, not protection and enforcement. The problems with NAFTA's trademark provisions, however, are no worse than those found in other binational and international agreements. The criticism of this section must be understood against the backdrop of NAFTA's declarations of its supreme protection of intellectual property rights coupled with the generalized acceptance of this section. Though least contested, the trademark section is arguably the most susceptible to future enforcement complications.\textsuperscript{118}

Article 1708(1)'s "trademark" definition exemplifies the problem with NAFTA and other similar treaties:

for purposes of this Agreement, a trademark consists of any sign, or any combination of signs, capable of distinguishing the goods or services of one person from another, including personal names, designs, letters, numerals, colors, figurative elements, or the shape of goods or of their packaging. Trademarks shall include service marks and collective marks,\textsuperscript{119} and may include certification marks.\textsuperscript{120} A Party may require, as a condition for registration, that a sign be visually perceptible.

The definition is so broad that it could include a vast array of marks. The problem is the absence of clear standards for determining whether the mark is protected by this provision. The determinative phrase, "capable of distinguishing the goods or services," is too ambiguous to serve as a legal standard. NAFTA's trademark floor, however well received, should provide little concrete assurance to trademark holders. Those who are satisfied with the ambiguity permeating this definition underestimate the enforcement problems involved.\textsuperscript{121}

a. Rights.

The rights required by Article 1708(2) have the same problems with ambiguity and broadness as found in the definition of trademark. The provision requires each member to provide to the registered trademark owner the right to prevent all persons not having the owner's consent from using in commerce identical or similar signs for goods or services that are identical or similar to those goods or services in respect of which the owner's trademark is registered (where such use would result in a likelihood of confusion). In the case of the use of an identical sign for identical goods or services, a likelihood of confusion is presumed.

\textsuperscript{117} Id.

\textsuperscript{118} A review of recent United States case law dealing with new technologies exposes the importance of increasing protection of trademarks (i.e., protection of animated characters).

\textsuperscript{119} Current members of NAFTA, however, already extend trademark protection to both service and collective marks. Mexico and the United States define a "collective mark" as a "trademark or a service mark" that is owned by a group or organization, and [as being used] by the members of that collective group or organization to distinguish its goods and services from those provided by persons who are not part of the collective organization." Neff & Smallson, supra note 104, at 49 n.4.

\textsuperscript{120} Certification marks are those trademarks or service marks that are owned by one person but used by another to delineate quality or the origin of the goods. The "Real" symbol for dairy products is one example.

\textsuperscript{121} Jeffrey Squires, Crumbling Barriers, Legal Times, 59 Dec. 19, 1994, at 59 (asserting that NAFTA "requires a type of uniformity or harmonization").
rights described above do not prejudice any prior rights, nor affect the possibility of a Party making rights available on the basis of use. In short, NAFTA requires each Party to provide trademark owners with the right to prevent another’s unauthorized commercial use of both the protected trademark and trademarks that are confusingly similar to the protected trademark. The least innocuous ambiguity in this provision relates to definition of owner’s consent. NAFTA does not answer what constitutes consent, or whether consent must be explicit or whether it may be implied from the circumstances.122 The following discussion deals with other ambiguities and limitations imbedded in this relatively short articulation of a trademark holder’s right under NAFTA.

Under NAFTA, a trademark holder may only prevent the commercial use of identical or similar signs for identical or similar goods or services for which the trademark is registered. Distinguishing between commercial and non-commercial usage becomes increasingly difficult as the economic return to the seller/infringer declines. In some cases, intellectual property rights are only protected under the rubric of commercial use when the use is motivated by gain.123 More problematic is the limitation of protection against use of an identical or similar mark only for identical or similar goods or services. The result of this formulation is the exclusion of protection against use of a registered trademark on goods or services that devalue the trademark in the marketplace. For example, Tiffany’s could not prevent the use of the name “Tiffany’s” in association with a pig farm. Obviously, fine jewelry and pigs are not identical or similar goods, and as such, the two uses of “Tiffany’s” would not be confused. Nevertheless, the value of Tiffany’s trademark as signifying high quality would be radically reduced. As a result, NAFTA’s focus on the likelihood of confusion overlooks the possibility of diminution in the value of a trademark through the use of an identical or similar trademark.

Not only does the provision narrowly limit the protection to direct competition, but it also fails to address the issues surrounding likelihood of confusion. First, NAFTA fails to define likelihood of confusion. Second, NAFTA provides no criteria for determining when a third party’s use of a mark creates a likelihood of confusion so as to render such use a violation of NAFTA. NAFTA merely provides that identical signs for identical goods or services creates a presumption of the likelihood of confusion. Even then, NAFTA only creates a rebuttable presumption. Also, NAFTA fails to indicate to what degree the goods and the mark must be identical. At some point, no two items are identical, making this caveat impractical, or at least potentially futile, without further explanation. The member countries have wide discretion in defining these terms as they are presented in Article 1708(2).

Finally, the provision circumscribes the trademark holder’s rights regarding prior rights, whether those rights arose through prior registration or through prior use (where such use established protection in the Member State). As a general matter, this provision is not problematic. In countries granting rights based on usage alone, the third party would have already obtained its rights prior to enactment of NAFTA and/or prior to registration of the trademark. What is unclear is the extent to which the rights of the third party extend beyond actual use, if at all. The failure to explicitly address this issue will likely generate disputes that will require use of the enforcement mechanisms of NAFTA and the Member States.

122. Query whether knowledge of another’s use for a period of time could be used to imply consent in the absence of evidence showing the owner’s protest.
123. See supra Part I.A.1.b.
b. Registration Issues.

In contrast to both the definition of protected trademarks and the delineation of rights, NAFTA is much more detailed regarding registration procedures and requirements. Article 1708(4) requires each Party to “provide a system for the registration of trademarks, which shall include: (i) examination of applications; (ii) notice to be given to an applicant of the reasons for the refusal to register a trademark; (iii) a reasonable opportunity for the applicant to respond to the notice; (iv) publication of each trademark either before or promptly after it is registered; and (v) a reasonable opportunity for interested persons to petition to cancel the registration of a trademark.” Article 1708(4) also permits, but does not require, a Party to “provide for a reasonable opportunity for interested persons to oppose the registration of a trademark.” The registration does not, however, preclude protection for unregistered marks on the basis of use. Even with NAFTA, individual trademark applications must be filed in each member country.124

To be fully understood, Articles 1708(5) and 1708(14) must be read together. Article 1708(5) prohibits “the nature of the goods or services to which the trademark is to be applied” from being a legitimate obstacle to a trademark’s registration. In sharp contrast, Article 1708(14) requires a Party to “refuse to register trademarks that consist of or comprise immoral, deceptive or scandalous matter, matter that may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs or a Party’s national symbols, or bring them into contempt or disrepute.” A glance at section 2 of the Lanham Act reveals the fact that this provision was taken almost verbatim from U.S. law.125 On the one hand, a Party cannot consider the nature of the good or service. While, on the other hand, each Party must refuse to register trademarks consisting of immoral, deceptive or scandalous matter. The conflict could simply be flagged without any attempt to reconcile them, but that result would be unsatisfactory.

Perhaps these two provisions can be reconciled as follows. Article 1708(5) prohibits a Party from rejecting a trademark based on whether it approves or disapproves of the goods or services themselves.126 The focus of Article 1708(14) is not on the goods or services as such, but on the mark and its connotations. Thus, while the goods or services may be innocuous, like tooth whitener, the name could preclude registration if it conjured the image of Mexicans with yellow teeth (as opposed to a generic person with yellow teeth).

Article 1708(13) prohibits the registration of generic terms, whether the term is in English, Spanish or French. Specifically, it prohibits registration of English, French and Spanish words that “generically designate goods or services or types of goods or services to which the trademark applies.” Each of the current signatories deny protection to generic terms. The provision was added to avoid circumvention of the denial by translating an otherwise generic term into another language. The prohibition on generic terms would not apply to trademarks that include both a generic term and a non-generic term.127

126. Article 1708(5) provides that: “[t]he nature of the goods or services to which the trademark is to be applied shall in no case form an obstacle to the registration of the trademark.” NAFTA, supra note 2, art. 1708(5).
127. Consider the treatment of generic terms in the United States as a model. See also NEFF & SMALLSON, supra note 104, at 56.
According to Article 1708(6), registration of well-known trademarks may not be required by a Party as a condition of trademark protection. Article 1708(6) incorporates Article 6bis of the Paris Convention with the necessary modifications to extend protection to service marks.128 Article 6bis provides:

the countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

Thus, members may refuse or cancel registration or prohibit the use of a trademark either sua sponte or at the request of an interested party (e.g., the holder of the well-known trademark). In determining whether a trademark is well-known, Article 1708(6) requires the adjudicatory body (or the judge) to consider the knowledge of the “relevant sector of the public,” as opposed to the general public (unless the general public is the relevant sector).129 In so doing, the adjudicator must consider knowledge generated through promotion of the trademark.130

c. Use Issues.

Under NAFTA, trademark use issues relate to initial registration requirements, determination of abandonment through lack of use, use of a trademark by others, and restrictions on usage imposed by a Party. Even though registrability may depend on trademark use, initial registration may not require actual use as a precondition for filing the trademark application.131 Therefore, NAFTA requires intent-to-use to satisfy a Party’s threshold.

128. Article 1708(6) provides as follows:

Article 6bis of the Paris Convention shall apply, with such modifications as may be necessary, to services. In determining whether a trademark is well-known, account shall be taken of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Party’s territory obtained as a result of the promotion of the trademark. No Party may require that the reputation of the trademark extend beyond the sector of the public that normally deals with the relevant goods or services.

NAFTA, supra note 2, art. 1708(6).

129. Article 1708(6) includes the following caveat: “No Party may require that the reputation of the trademark extend beyond the sector of the public that normally deals with the relevant goods or services.” Id.

130. See id. art. 1708(6).

131. Article 1708(3) provides as follows:

A Party may make registrability depend on use. However, actual use of a trademark shall not be a condition for filing an application for registration. No Party may refuse an application solely on the ground that intended use has not taken place before the expiry of a period of three years from the date of application for registration.

Id. art. 1708(3).
registration requirement. A registrant has three years from the date of application to begin actual use of the trademark. Non-use for three years from initial filing does not, however, end the inquiry. One may argue that the impossibility of use defense available to avoid cancellation for abandonment should also be equally applicable to the initial registration requirement.

NAFTA explicitly requires use of the trademark as a condition for maintaining the trademark registration. As a general rule, a Party may cancel a trademark registration for failure to use a trademark for an uninterrupted two year period. This abandonment provision has a significant exception which shall be called the "impossibility of use" defense. According to Article 1708(8), a trademark may not be canceled for non-use when "valid reasons based on the existence of obstacles to such use are shown by the trademark owner." Valid reasons include "circumstances arising independently of the will of the trademark owner that constitute an obstacle to the use of the trademark." Examples of this defense provided by NAFTA include "importation restrictions on, or other requirements for, goods or services identified by the trademark."

As mentioned above, a valid impossibility of use defense should be equally applicable to the initial period for two reasons. First, the existence of a valid external obstacle preventing use of the trademark does not change with the prior use or non-use of a trademark. Second, rejection of the impossibility of use defense for trademarks that have not been used within the initial three year period due to an external obstacle (e.g., import restrictions) would result in unnecessary inequities. Consider the following example. Trademark X was used for three days within the initial three year period, but such use was halted by an import regulation imposed by Canada. Trademark Y was filed three days after trademark X, but was prevented from being used by the same import regulation halting the use of trademark X. Moving ahead three years, rejection of the applicability of the impossibility of use defense to trademark Y would subject it to cancellation for non-use. Trademark X, however, was used within the first three years and may invoke Article 1708(8)’s impossibility of use defense. Since NAFTA fails to explicitly address this issue, each Party has discretion to interpret these two provisions as it sees fit.

Article 1708(9) requires each Party to credit third party use to the trademark owner

132. Id.
133. Id.
134. Article 1708(8) provides as follows:

Each Party shall require the use of a trademark to maintain a registration. The registration may be canceled for the reason of non-use only after an uninterrupted period of at least two years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Each Party shall recognize, as valid reasons for non-use, circumstances arising independently of the will of the trademark owner that constitute an obstacle to the use of the trademark, such as import restrictions on, or other government requirements for, goods or services identified by the trademark.

Id. art. 1708(8).

135. Id.
136. Id.
137. Id.
when "such use is subject to the owner's control."\textsuperscript{138} Applicable third party use prevents cancellation of the registration for non-use. NAFTA provides no guidelines for determining when a use is sufficiently "subject to the owner's control" to satisfy the registration requirements. The trademark owner would need to do more than merely authorize use, but how much more remains unclear.

Finally, Article 1708(10) prohibits a Party from burdening the commercial use of a trademark through special requirements. Article 1708(10) reads: "no Party may encumber the use of a trademark in commerce by special requirements, such as a use that reduces the trademark's function as an indication of source or a use with another trademark." The provision is targeted at "prohibiting the mandatory linkage of trademarks which was previously required under Mexican law."\textsuperscript{139} Mandatory linkage requires foreign trademarks to be used in combination with a national trademark. Non-commercial encumbrances are not prohibited under this section. Therefore, if the trademark is owned by a non-profit organization like United Way, then a Party may require linkage and may impose special requirements at its discretion.

d. Term.

Article 1708(7) requires each Party to provide an initial term of at least ten years with successive renewal terms of not less than ten years.\textsuperscript{140} The trademark holder must be able to renew the registration indefinitely when the renewal conditions have been satisfied.

e. Restrictions.

Articles 1708(11) and 1708(12) impose additional limitations on the power of Parties to restrict trademark use. Article 1708(11) deals with the issues of licensing and assignments. Article 1708(12) addresses exceptions to trademark rights.

Article 1708(11) may be broken down into three constituent parts: (i) a grant of permission to set conditions on licenses and assignments; (ii) prohibition of compulsory licensing of trademarks; and (iii) assurance that a trademark holder may assign its trademark without transferring the underlying business.\textsuperscript{141} While a Party may impose some conditions on licensing, no Party may require compulsory licensing. The value of licensing to a trademark holder stems in part from the quality control inherent in voluntary licenses.

\textsuperscript{138} Article 1708(9) provides that: "[e]ach Party shall recognize use of a trademark by a person other than the trademark owner, where such use is subject to the owner's control, as use of the trademark for purposes of maintaining the registration." \textit{Id.} art. 1708(9).

\textsuperscript{139} NEFF \& SMALLSON, \textit{supra} note 104, at 55.

\textsuperscript{140} In full, Article 1708(7) provides that: "[e]ach Party shall provide that the initial registration of a trademark be for a term of at least 10 years and that the registration be indefinitely renewable for terms of not less than 10 years when conditions for renewal have been met." NAFTA, \textit{supra} note 2, art. 1708(7).

\textsuperscript{141} Article 1708(11) provides as follows:

\textit{A Party may determine conditions on the licensing and assignment of trademarks, it being understood that the compulsory licensing of trademarks shall not be permitted and that the owner of a registered trademark shall have the right to assign its trademark with or without the transfer of the business to which the trademark belongs.}

\textit{Id.} art. 1708(11); see also Del Valle, \textit{supra} note 65.
Compulsory licensing severely undermines a trademark holder's ability to exert control over the quality of the goods or services offered under the trademark. This provision enhances a trademark holder's control over the image it invokes. Finally, NAFTA prevents a member country from inhibiting a trademark owner's right to retain the underlying business when assigning trademark rights—a basic assignment right.

Article 1708(12) allows member countries to "provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms." Such exceptions, however, must "take into account the legitimate interests of the trademark owner and of other persons." Thus, not only are the interests of the trademark owner to be considered as part of the analysis, but also the legitimate interests of third Parties. The determination of which interests are to be considered legitimate falls within the discretion of the members.\(^{142}\) Given the lack of a definition in NAFTA, one must look to national laws to determine what interests are actually considered legitimate. NAFTA provides neither a hard and fast rule nor any guidelines for analysis.

5. Article 1709: Patents.

In contrast to the broad and ambiguous treatment of trademarks by NAFTA, Article 1709 on patents is extremely thorough. Patent protection extends to "any inventions, whether products or processes, in all fields of technology," provided that such inventions satisfy the requirements for patentability.\(^{143}\) Article 1709 specifically includes protection of process patents.\(^{144}\) The broad definition, similar to the trademarks definition, is refined by the imposition of a single standard against which all patents are measured (albeit a somewhat subjective standard). Patents are protected under the following provisions as well as the substantive provisions of both the Paris Convention and the 1978 or 1991 UPOV Convention.\(^{145}\)

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142. The dispute over cigarette packaging in Canada exemplifies the difficulty in applying this exception in a concrete situation. Canada's federal government recently considered forcing cigarette manufacturers to sell their tobacco products in plain packages as a way to discourage tobacco sales. Along with the Canadian Patent and Trademark Institute, United States tobacco manufacturers argued that the federal government's scheme would violate both NAFTA and GATT. The first question is whether the regulation would fall within the scope of this exception. If so, then the question becomes what, if any, compensation Canada would be required to pay to United States tobacco manufacturers. See Peter Morton, Chretien Rejects U.S. Tobacco Firms' NAFTA Threats, FIN. POST 15 (May 12, 1994).

143. Article 1709(1) provides as follows:

Subject to paragraphs 2 and 3, each Party shall make patents available for any inventions, whether products or processes, in all fields of technology, provided that such inventions are new, result from an inventive step and are capable of industrial application. For purposes of this Article, a Party may deem the terms "inventive step" and "capable of industrial application" to be synonymous with the terms "non obvious" and "useful," respectively.

NAFTA, supra note 2, art. 1709(1).

144. See Wright, supra note 27, at 624-26. "NAFTA represents an important step in protecting the competitive position of U.S. high-technology industries by establishing international standards for the protection of intellectual property generally, and process patents specifically." Id.

145. See NAFTA, supra note 2, art. 1701(2).
a. Requirements For Patentability.

Article 1709(1) requires an invention to satisfy three criteria: (i) the invention must be new; (ii) the invention must result from an inventive step; and (iii) the invention must be capable of industrial application.\(^\text{146}\) Article 1709(1) explicitly indicates that the "inventive step" is synonymous with non-obvious, while "capable of industrial application" is synonymous with useful.\(^\text{147}\) As applied in the United States, an invention must be new or novel in the sense of not being previously patented, known or used by another in the United States. To be patentable, an invention must not be obvious to a person of ordinary skill in the relevant scientific or technical specialty -- it must pass the non-obviousness test. And, finally, U.S. inventions must serve a useful purpose.\(^\text{148}\) Canada and Mexico's requirements for patentability are similar to those of the United States.\(^\text{149}\)

b. Exclusions From Patentability.

NAFTA's patent protection is significantly undermined by the exclusions included in Articles 1709(2) and 1709(3). Article 1709(2) creates an exclusion that threatens to swallow the rule. Specifically, Article 1709(2) permits a Party to:

exclude from patentability inventions if preventing in its territory the commercial exploitation of the inventions is necessary to protect the ordre public or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to nature or the environment, provided that the exclusion is not based solely on the ground that the Party prohibits commercial exploitation in its territory of the subject matter of the patent.\(^\text{150}\)

Once again, NAFTA fails to define key terms. Specifically, the definition of what could be necessary to protect the "ordre public" or "morality" is left completely to the Parties' discretion. Article 1709(2) merely provides an example of what might be included and the caveat prohibiting exclusion from patentability solely on the basis that the Party prohibits commercial exploitation of the subject matter in its own territory. The example, protection of "human, animal or plant life," could hardly be considered limiting. Only minerals were excluded from this amorphous list. Thus, patentability may be denied at a Party's discretion with little, if any, recourse from the national's home country.

In addition, Article 1709(3) permits a Party to exclude from patentability: (i) diagnostic, therapeutic, and surgical methods for the treatment of humans or animals; (ii) plants and animals other than microorganisms; and (iii) essential biological processes for the production of plants or animals, other than non-biological and microbiological processes for such production.\(^\text{151}\) The Article adds the caveat that "[n]otwithstanding subparagraph (b), each

\(^{146}\) See id.

\(^{147}\) Id.

\(^{148}\) In the United States, the sole constitutional purpose of patent protection is to "promote the Progress of Science and Useful Arts." U.S. CONST., art. I, § 8, cl. 8.

\(^{149}\) For a comparison, consider the statutory provisions of the member countries: (1) United States - Title 35 of the United States Code; (2) Canada, Patent Act -- Revised Statutes of Canada (RSC) 1985 and Amendments; and (3) Mexico -- Law for the Promotion and Protection of Industrial Property (IPL) [LEY DE PROMOCION Y PROTECCION DE LA PROPIEDAD INDUSTRIAL, Diario Oficial (June 27, 1991)].

\(^{150}\) NAFTA, supra note 2, art. 1709(2).

\(^{151}\) See Fields, supra note 102.
Party shall provide for the protection of plant varieties through patents, an effective scheme of sui generis protection, or both."152 Plant varieties are specifically protected under the UPOV Conventions.153 The general lack of limitations in these exclusions, especially when coupled with the exclusions in Article 1709(2), opens the possibility for their broad application. Even though plant varieties are protected under the UPOV Conventions, these exclusions have a particularly deleterious impact on the biotechnology industry.

c. Rights Conferred.

Article 1709 enables a Party to provide patent owners certain exclusive rights, including the power to transfer those rights. The Article also requires the Parties to make patent rights available without discrimination. Another rights issue addressed by Article 1709 is the distribution of the burden of proof in an infringement proceeding. The ensuing discussion deals with these issues.

Article 1709(5) sets out the exclusive rights guaranteed by NAFTA. Patent rights depend on the subject matter of the patent. For product patents, each Party "shall confer on the patent owner the right to prevent other persons from making, using or selling the subject matter of the patent, without the patent owner's consent."154 Thus, product patent holders have the exclusive right to make, use or sell their patent rights. For process patents, each Party "shall confer on the patent owner the right to prevent other persons from using that process and from using, selling, or importing at least the product obtained directly by that process, without the patent owner's consent."155 A process patent holder has the exclusive right to use, sell or import products directly obtained through the patented process.156 The process patent holder also has the exclusive right to use the process. Not only do these patent owners have these exclusive rights, but they also have the right to "assign and transfer by succession their patents, and to conclude licensing contracts."157

These exclusive rights, however, are not without exception. Article 1709(6) permits a member country to "provide limited exceptions to the exclusive rights conferred by a patent." But the Article includes two futile qualifications on such exceptions. First, Article 1709(6) requires that such exceptions not "unreasonably conflict with a normal exploitation of the patent." Determining what qualifies as an "unreasonable conflict" and "normal exploitation" is completely within the member's discretion. Second, such limitations are not to "unreasonably prejudice the legitimate interests of the patent owner, taking into account the legitimate interests of other persons."158 Again, what constitutes "unreasonable prejudice" or "legitimate interests?" The double use of "unreasonably" in Article 1709(6) increases both the room for Party manipulation and the likelihood of future litigation.159 This exception provision is so broad and ambiguous that a Party could, if it so chose to, avoid protection of an invention and still comply with NAFTA. If a signatory adopts such a broad interpretation, "much of the protection given to patent holders could effectively be negated."160

152. NAFTA, supra note 2, art. 1709(3)(c).
153. See UPOV Convention, supra note 21.
154. NAFTA, supra note 2, art. 1709(5)(a).
155. Id. art. 1709(5)(b).
156. Id.
157. Id. art. 1709(9).
158. Id. art. 1709(6).
159. Levy & Weiser, supra note 23, at 681.
160. Id.
Article 1709(7) contains non-discrimination provisions for patents. Except for situations incorporated in paragraphs (2) and (3): “patents shall be available and patent rights enjoyable without discrimination as to the field of technology, the territory of the Party where the invention was made and whether products are imported or locally produced.”

To an extent, Article 1709(7) duplicates the national treatment requirement contained in Article 1703. Nevertheless, these non-discrimination provisions address issues not necessarily included in the national treatment requirement. Accordingly, member countries may not single out a particular technology for discriminatory treatment. One example of prior discrimination can be found in Canada's treatment of compulsory licenses in the pharmaceutical industry. Member countries also may not discriminate on the basis of where the patent was made or on the extent to which it expects to benefit from the patent protection (where the product will be made or where the process facility will be erected). These two provisions are aimed at curtailing provisions that discriminate against products of other member countries.

Finally, Article 1709(11) addresses the allocation of the burden of proof in infringement proceedings. Given the significant implication of such allocations on the efficacy of patent rights, the following discussions elaborate on this provision. In suits for infringement of a process patent, NAFTA requires each Party to place the burden of establishing that the allegedly infringing product was made by a process other than the patented process [when] . . . (a) the product obtained by the patented process is new; or (b) a substantial likelihood exists that the allegedly infringing product was made by the process and the patent owner has been unable through reasonable efforts to determine the process actually used.

The net effect of this provision is to increase the strength of those rights conferred on the patent holder. Placing the burden of proof on the defendant when the product is new or when proof of infringement is within the defendant's control increases the likelihood that a plaintiff would win. Article 1709(11) balances the increased protection of the plaintiff's interests by requiring the "legitimate interests of the defendant in protecting its trade secrets" to be considered in the "gathering and evaluation of evidence." Given the nature of intellectual property, concern for protection of confidential information is critical to any system of intellectual property protection. This provision appears to balance the interests of the Parties to an infringement action while bolstering the rights granted to patents under NAFTA.

d. Compulsory Licenses.

Article 1709(10)'s compulsory licensing scheme carefully delineates those instances when a Party may maintain a compulsory licensing system. Given this provision's exhaustive nature and its relative clarity, this discussion will be limited to its highlights. Article 1709(10)(b) specifically requires a Party to make "efforts to obtain authorization from the right holder on reasonable commercial terms and conditions and [that] such efforts have

161. NAFTA, supra note 2, art. 1709(9).
162. NEFF & SMALLSON, supra note 104, at 76.
163. NAFTA, supra note 2, art. 1709(11).
164. Id.
165. Id. art. 1709(10). Given the length of this provision, it will not be quoted here in full. If an issue arises regarding a compulsory licensing scheme, then close scrutiny of this provision is warranted.
not been successful within a reasonable period of time."166 The compulsory licensing system is permitted only if the Party complies with the detailed set of guidelines included in Article 1709(10). The scope and duration of the compulsory license must not be unlimited, the use may not be exclusive, and such use must be non-assignable.167 Not only must the right holder be adequately compensated for the license, but any compensation must take account of the inherent economic value of the authorization.168 The impact of the mandatory provisions on actual compulsory licensing systems remains to be seen.

e. Term.

In general, the minimum term of protection for patents is twenty years from the date of filing or seventeen years from the date of grant.169 When appropriate, Article 1709(12) permits a Party to extend the term to compensate for delays caused by the regulatory approval process.170 In cases where a Party has not made product patent protection available for either pharmaceutical or agricultural chemicals that satisfy the patentability requirements set forth in Article 1709(1), Article 1709(4) requires that Party to extend patent protection for the unexpired term of the patent.171 Specifically, Article 1709(4) requires extension of such patent protection to begin as of January 1, 1992 for subject matter relating to "naturally occurring substances prepared or produced by, or significantly derived from, microbiological processes and intended for food or medicine."172 For any other subject matter, patent protection shall be effective as of July 1, 1991.173 The protection shall be provided to "the inventor of any such product or its assignee" on the condi-

166. Id. art. 1709(10)(b).
167. Id. art. 1709(10)(c), (d) & (e).
168. Id. art. 1709(10)(h).
169. Id. art. 1709(12): "[e]ach Party shall provide a term of protection for patents of at least 20 years from the date of filing or 17 years from the date of grant. A Party may extend the term of patent protection, in appropriate cases, to compensate for delays caused by regulatory approval processes."
170. Id.
171. Article 1709(4) provides as follows:
If a Party has not made available product patent protection for pharmaceutical or agricultural chemicals commensurate with paragraph 1:
(a) as of January 1, 1992, for subject matter that relates to naturally occurring substances prepared or produced by, or significantly derived from, microbiological processes and intended for food or medicine, and
(b) as of July 1, 1991, for any other subject matter, that Party shall provide to the inventor of any such product or its assignee the means to obtain product patent protection for such product for the unexpired term of the patent for such product granted in another Party, as long as the product has not been marketed in the Party providing protection under this paragraph and the person seeking such protection makes a timely request.
Under this provision, patent holders 'receive so-called 'pipeline protection' for the remaining life of the foreign granted patent' as long as the product has not been previously marketed in that country. See Bruce A. Lehman, Intellectual Property Under the Clinton Administration, 27 GEO. WASH. J. INT'L L. & ECON. 395, 405 (1993). Bruce Lehman was Assistant Secretary of Commerce and the Commissioner of Patents and Trademarks in 1994.
172. NAFTA, supra note 2, art. 1709(4).
173. Id.
tation that the "product has not been marketed in the Party providing protection under this paragraph and the person seeking such protection makes a timely request."174

According to Article 1709(8), a patent may only be revoked when either: "(a) grounds exist that would have justified a refusal to grant the patent; or (b) the grant of a compulsory license has not remedied the lack of exploitation of the patent."175 While subparagraph (a) is relatively straightforward, subparagraph (b) leaves room for subjective interpretation. The issue involves determining the level of use that will remedy the lack of exploitation for which a compulsory licensee was granted. The problem is twofold. First, a license holder may deem its use optimal under the circumstances while the government disagrees. Second, a patent holder may deem use by a compulsory license holder excessive and still be unable to quell the abuse. Although NAFTA's revocation provision leaves these issues unaddressed, reference to the compulsory license provisions may help.176


According to Article 1710, each Party is required to impose liability for unauthorized copying of semiconductor circuit layout designs.177 Using a familiar methodology, Article 1710(1) incorporates the substantive provisions of the dominant treaty on the subject – the Treaty on Intellectual Property in Respect of Integrated Circuits (Washington Treaty).178 In contrast to the other intellectual property provisions, Article 1710(2) requires State imposition of liability in addition to granting the right holder the power to prevent unauthorized use.179 Thus, in addition to enlisting a host of "private attorneys general," this Article puts the onus on each Party to act. By requiring each Party to make unauthorized use unlawful, however, Article 1710 seems to require a Party to make unauthorized use a criminal, as well as civil, offense. Nevertheless, this Article does not provide either guidance as to the appropriate punishment or explicit acknowledgment that a violation potentially constitutes a criminal offense.

a. Definition and Rights.

Article 1710(1) incorporates the substantive, but not the administrative, provisions of the Washington Treaty.180 The Article also explicitly excludes Article 6(3) of the

174. Id.
175. NAFTA, supra note 2, art. 1709(8).
176. See id. art. 1709(10). For example, Article 1709(10)(f) requires use under the compulsory license to be authorized "predominantly for the supply of the Party's domestic market." Id. art. 1709(10)(f). As with other Chapter 17 provisions, use of an ambiguous term renders the provision malleable. Specifically, the Party's authorities must decide what the Article means by "predominantly."
177. See Mendes da Costa, supra note 29, at 80.
179. NAFTA, supra note 2, art. 1710(2). The provision indirectly grants the right holder standing to sue through the incorporation of selected provisions of the Washington Treaty.
180. Article 1710(1) provides that: "[e]ach Party shall protect layout designs (topographies) of integrated circuits ('layout designs') in accordance with Articles 2 through 7, 12 and 16(3), other than Article 6(3), of the Treaty on Intellectual Property in Respect of Integrated Circuits as opened for signature on May 26, 1989." Id. art. 1710(1).
Washington Treaty (permitting compulsory licenses).\textsuperscript{181} Since Article 1710 defines neither “layout design” nor “integrated circuit,” both definitions in the Washington Treaty are incorporated within Article 1710(1). Article 2 of the Washington Treaty defines integrated circuit as “a product, in its final form or an intermediate form, in which the elements, at least one of which is an active element, and some or all of the interconnections are integrally formed in and/or on a piece of material and which is intended to perform an electronic function.”\textsuperscript{182} On the other hand, layout design (topography) is defined as “the three-dimensional disposition, however expressed, of the elements, at least one of which is an active element, and of some or all of the interconnections of an integrated circuit, or such a three-dimensional disposition prepared for an integrated circuit intended for manufacture.”\textsuperscript{183} The omission of the particular type of material used leaves open the possibility of protecting new technologies in this field.

Through its incorporation of the Washington Treaty, NAFTA extends the principles of national treatment to integrated circuits.\textsuperscript{184} The incorporated provisions also require each Party to provide adequate measures for protecting layout designs as well as legal remedies to right holders.\textsuperscript{185} The Washington Treaty provisions further clarify the requirements for obtaining protection (e.g., originality and independent creation).\textsuperscript{186} Article 1710(1) incorporated the Washington Treaty provisions specifying exceptions for the protection of layout designs. Such exceptions include fair use,\textsuperscript{187} reverse engineering\textsuperscript{188} and independent creation.\textsuperscript{189} A thorough analysis of these Washington Treaty provisions is necessary before the scope of NAFTA’s protection of layout designs can be fully understood. Such an analysis, however, is beyond the scope of this paper.

b. Prohibition Against Infringement.

Article 1710(2) requires each Party to make unauthorized importation, sale, and distribution unlawful, whereas Article 1710(3) creates an exception for innocent infringers.

\textsuperscript{181} Not only did the Parties exclude the Washington Treaty’s compulsory licensing provision from incorporation into NAFTA, but they also added a paragraph explicitly prohibiting compulsory licensing of layout designs. The negotiators wanted to make it clear that no compulsory licensing will be permitted with respect to layout designs.

Article 1710(5) provides as follows: “No Party may permit the compulsory licensing of layout designs of integrated circuits.” NAFTA, supra note 2, art. 1710(5).

\textsuperscript{182} Washington Treaty, supra note 178, art. 2(1).

\textsuperscript{183} Id. art. 2(ii).

\textsuperscript{184} Id. art. 5 (requiring a member country to accord nationals of other member countries “the same treatment that it accords to its own nationals”). It is important to note that incorporation of provisions from the Washington Treaty into NAFTA requires each Party to extend “no less favorable” treatment to such nationals. This formulation of national treatment contains the possibility that a Party may extend more favorable treatment to the nationals of another party than provided to the Party’s own nationals.

\textsuperscript{185} Id. art. 3(1)(a).

\textsuperscript{186} Id. art. 3(2)(a).

\textsuperscript{187} Under Article 6(2)(a) of the Washington Treaty, member countries are prohibited from making unlawful layout design reproduction for private purposes or for the sole purpose of evaluation, analysis, research or teaching.

\textsuperscript{188} Id. art. 6(2)(b).

\textsuperscript{189} Id. art. 6(2)(c) (permitting identical layout designs whenever they were independently created by a third party).
As a companion to Article 1710(3), Article 1710(4) governs the disposal of infringing material. Although Article 1710(2) parallels Article 6 of the Washington Treaty (incorporated in Article 1710(1)), its provisions are not unnecessarily redundant. Article 1710(2) explicitly protects against unauthorized importation of articles incorporating the layout design.\(^{190}\) The exception for innocent infringers extends only to those who either did not know or had no reasonable grounds to know that the product incorporated unlawfully produced layout designs.\(^{191}\) The inclusion of a \textit{mens rea} requirement makes this provision somewhat more reliable.

Since the innocent infringer analysis focuses on when the product was acquired, it is readily harmonized with Article 1710(4). This Article permits the innocent infringer to dispose of the property on the condition that reasonable royalty be paid to the right holder.\(^{192}\) Such royalty must be equivalent to the amount that “would be payable under a freely negotiated license.”\(^{193}\) Valuation of such royalty fees are inherently problematic because they occur after the fact and are not subject to the natural give and take of an arms length negotiation. The end result is almost always an undervaluation of the license. If legitimate licenses have been negotiated, however, the amount of the royalty could be more fairly established by reference to such existing licenses.

c. Term.

Article 1710 provides three different possibilities relating to the term of protection for layout designs. If a Party requires registration as a condition of protection, the term of pro-

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190. Specifically, Article 1710(2) provides as follows:

Subject to paragraph 3 [the innocent infringer exception], each Party shall make it unlawful for any person without the right holder's authorization to import, sell or otherwise distribute for commercial purposes any of the following:

(a) a protected layout design;

(b) an integrated circuit in which a protected layout design is incorporated; or

(c) an article incorporating such an integrated circuit, only insofar as it continues to contain an unlawfully reproduced layout design.

NAFTA, supra note 2, art. 1710(2).

191. Article 1710(3) provides as follows:

No Party may make unlawful any of the acts referred to in paragraph 2 performed in respect of an integrated circuit that incorporates any unlawfully reproduced layout design, or any article that incorporates such an integrated circuit, where the person performing those acts or ordering those acts to be done did not know and had no reasonable ground to know, when it acquired the integrated circuit or article incorporating such an integrated circuit, that it incorporated an unlawfully reproduced layout design.

\textit{Id.} art. 1710(2).

192. Article 1710(4) provides as follows:

Each Party shall provide that, after the person referred to in paragraph 3 has received sufficient notice that the layout design was unlawfully reproduced, such person may perform any of the acts with respect to the stock on hand or ordered before such notice, but shall be liable to pay the right holder for doing so an amount equivalent to a reasonable royalty such as would be payable under a freely negotiated license in respect of such a layout design.

\textit{Id.} art. 1710(4).

193. \textit{Id.}
tection must be at least ten years, either from the date of filing or from the date of first
commercial exploitation (anywhere in the world).194 Where the Party does not require
registration for a designer to obtain protection, that Party must provide a term of at least
ten years from the date of first commercial exploitation (anywhere in the world).195
Finally, a Party may require the term to lapse fifteen years from creation.196 In short, the
right holder of a layout design has either ten years from filing an application for registra-
tion or from first commercial exploitation (irrespective of where the exploitation first
occurred) or fifteen years from first creation.

**d. Mexican Transition Period.**

Annex 1710.9 grants Mexico a four year grace period during which it "shall make
every effort to comply with the requirements of Article 1710."197

**7. Article 1711: Trade Secrets.**

NAFTA's inclusion of a trade secrets provision "breaks significant new ground, as the
first international intellectual property agreement to provide express protection for trade
secrets and proprietary information."198 In the United States and Canada, trade secrets law
is a creature of local law, whereas Mexico has adopted a "truly national program with
respect to trade secrets."199 The provisions included in Article 1711 for protecting trade
secrets must be considered against this background.

**a. Rights.**

Article 1711(1) makes three contributions to the protection of trade secrets within the
member countries.200 First, the Article requires each Party to provide a "legal means" to

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194. Article 1710(6) provides as follows:
   Any Party that requires registration as a condition for protection of a layout design
   shall provide that the term of protection shall not end before the expiration of a
   period of 10 years counted from the date of:
   (a) filing of the application for registration; or
   (b) the first commercial exploitation of the layout design, wherever in the world
   it occurs.
   *Id.* art. 1710(6).

195. Article 1710(7) provides as follows:
   Where a Party does not require registration as a condition for protection of a layout
   design, the Party shall provide a term of protection of not less than 10 years form
   the date of the first commercial exploitation of the layout design, wherever in the world
   it occurs.
   *Id.* art. 1710(7).

196. Article 1710(9) provides that: "[n]otwithstanding paragraphs 6 and 7, a Party may provide that
   the protection shall lapse 15 years after the creation of the layout design." *Id.* art. 1710(9).

197. *Id.* annex 1710(9).

198. PAUL, ET AL., supra note 104, at 99.

199. NEFF & SMALLSON, supra note 104, at 97.

200. Article 1711(1) provides as follows:
   Each Party shall provide the legal means for any person to prevent trade secrets from
   being disclosed to, acquired by, or used by others without the consent of the person
   lawfully in control of the information in a manner contrary to honest commer-
prevent disclosure of, acquisition by or usage of protected trade secrets. The second contribution relates to the first in that each Party must grant the right holder a means to prevent disclosure, which usually requires imposition of an injunction. Mexican courts traditionally did not use their injunction powers to protect trade secrets.\(^\text{201}\) While the first two contributions are essentially positive, the third actually decreases the effectiveness of trade secret protection. Specifically, Article 1711(1) limits protection against third party users of the trade secret to those situations where the acquiring party "knew, or [was] grossly negligent in failing to know" that dishonest practices were used to acquire the information.\(^\text{202}\) Article 1711 also permits a Party to impose a tangibility requirement for proving the existence of a trade secret,\(^\text{203}\) but prohibits a Party's interference with voluntary licensing.\(^\text{204}\)

Article 1711(1) sets forth both the protections granted to the trade secret holder and the requirements for obtaining the protections. Article 1711(1) requires the alleged trade secret holder to satisfy three elements before protection will be granted: (i) the information is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons that normally deal with the kind of information in question; (ii) the information has actual or potential commercial value because it is secret; and (iii) the person lawfully in control of the information has taken reasonable steps under the circumstances to keep it secret. Once the claimant shows both that the information is a secret with commercial value and that the claimant has taken reasonable steps to retain the secret as a secret, Article 1711 requires each member country to prevent misappropriation of the trade secret.

Once the requirements are satisfied, Article 1711(1) grants the trade secret holder three rights—the right "to prevent trade secrets from (i) being disclosed to, (ii) acquired by, or (iii) used by others without the consent of the person lawfully in control of the information in a manner contrary to honest commercial practices." The crucial limitation on the rights to control the use of trade secrets is found in the definition of the phrase "contrary to honest commercial practices, in so far as

| (a) | the information is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons that normally deal with the kind of information in question; |
| (b) | the information has actual or potential commercial value because it is secret; and |
| (c) | the person lawfully in control of the information has taken reasonable steps under the circumstances to keep it secret. |

NAFTA, supra note 2, art. 1711(1) (emphasis added).

201. The Mexican Federal Code of Civil Procedures under Article 379 allows federal courts to issue injunctions, preserving the status quo.

202. NAFTA, supra note 2, arts. 1711(1) and 1721(2); discussed infra; see also Kent S. Foster and Dean C. Alexander, Opportunities for Mexico, Canada and the United States: A Summary of Intellectual Property Rights Under the North American Free Trade Agreement, 20 RUTGERS COMPUTER & TECH. L.J. 67, 93 (1994).

203. Article 1711(2) provides 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." NAFTA, supra note 2, art. 1711(2).

204. Article 1711(4) provides that: "[n]o Party may discourage or impede the voluntary licensing of trade secrets by imposing excessive or discriminatory conditions on such licenses or conditions that dilute the value of the trade secrets." Id. art. 1711(4).
commercial practices." The right holder can only prevent disclosure, acquisition, and use by the third party if that party receives, acquires and uses that information contrary to honest business practices. Article 1721(2) narrowly defines such practices as those where the third party knew or was grossly negligent in failing to know that the information was misappropriated. 205 Conventional trade secret doctrine applies the lower standard of ordinary or simple negligence. 206 Although NAFTA requires member countries to protect trade secrets—the first time that such a requirement has been included in an international agreement and requires each Party to make injunctions available to prevent trade secrets violations—the high mens rea standard significantly undermines its effectiveness.

Article 1711 addresses two additional issues relating to trade secret rights. Article 1711(2) permits a Party to require tangible evidence of the trade secret in the form of "documents, electronic or magnetic means, optical discs, microfilms, films or other similar instruments." 207 Although this additional requirement is permitted, Article 1711(4) prohibits a Party from discouraging or impeding "the voluntary licensing of trade secrets by imposing excessive or discriminatory conditions on such licenses or conditions that dilute the value of the trade secrets." 208 As with other Chapter 17 provisions, this Article provides no guidelines as to when conditions become "excessive" or "discriminatory" or "dilute the value of the trade secret."

b. Term.

Article 1711(3) expressly prohibits limitations from being placed on the duration of protection of trade secrets as long as the information is kept secret, has actual or potential commercial value, and reasonable steps are taken to keep the information secret. 209 In short, as long as the holder of the trade secret satisfies Article 1711(1)'s conditions, the holder's rights remain protected.

c. Government Disclosures.

Potentially one of the most important steps toward protection of trade secrets is the requirement that information submitted to governmental or administrative agencies must be kept confidential. While Article 1711 imposes a non-disclosure requirement, it creates significant exceptions to that requirement. Subsections (5), (6), and (7) deal directly with governmental disclosures.

Article 1711(5) is the core provision dealing with governmental disclosure of information submitted as part of a condition for obtaining marketing approval for either "pharmaceutical

205. In full, Article 1721(2) defines "in a manner contrary to honest commercial practices" as meaning "at least practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by another person who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition." Id. art. 1721(2).

206. Paul, supra note 104, at 94.

207. See NAFTA, supra note 2, art. 1711(2).

208. See id. art. 1711(4).

209. Article 1711(3) provides that: "[n]o Party may limit the duration of protection for trade secrets, so long as the conditions in paragraph 1 exist." Id. art. 1711(3); see also Del Valle, supra note 65.
or agricultural chemical products that utilize new chemical entities."210 The disclosure prohibition only applies to data "where the origination of such data involves considerable effort." What constitutes "considerable effort" is left to the discretion of the member countries. This provision provides a significant exception permitting disclosure of information when it is "necessary to protect the public" or if "steps are taken to ensure that the data is protected against unfair commercial use."211 Once again, NAFTA provides no guidelines for determining either when disclosure is necessary or what constitutes sufficient protection against unfair commercial use. Sufficient discretion is incorporated into this provision to render it potentially meaningless.

Article 1711(6) requires each Party to prevent third parties from relying on data submitted after January 1, 1994 without the permission of the person submitting the information.212 Such proprietary data may not be used by competitors "during a reasonable period of time after their submission."213 For purposes of this provision, a reasonable period of time is at least five years from the date that marketing approval is granted. In deciding what constitutes a reasonable period, the Party should consider "the nature of the data and the person's efforts and expenditures in producing them."214 Finally, Article 1711(7) requires the reasonable period to begin from the date of first marketing approval, whether of the Party or another member country.215

210. Article 1711(5) provides as follows:
If a Party requires, as a condition for approving the marketing of pharmaceutical or agricultural chemical products that utilize new chemical entities, the submission of undisclosed tests or other data necessary to determine whether the use of such products is safe and effective, the Party shall protect against disclosure of the data of persons making such submissions, where the origination of such data involves considerable effort, except where the disclosure is necessary to protect the public or unless steps are taken to ensure that the data is protected against unfair commercial use.

NAFTA, supra note 2, art. 1711(5).

The extent to which utilization of "new chemical entities" limits the effectiveness of the government disclosure prohibitions is recognized as a possibility. A specialist in the field would be able to determine the impact of the requirement that the approval involve new chemical entities.

211. Id.

212. Article 1711(6) provides as follows:
Each Party shall provide that for data subject to paragraph 5 that are submitted to the Party after the date of entry into force of this Agreement, no person other than the person that submitted them may, without the latter's permission, rely on such data in support of an application for product approval during a reasonable period of time after their submission. For this purpose, a reasonable period shall normally mean not less than five years from the date on which the Party granted approval to the person that produced the data for approval to market its product, taking account of the nature of the data and the person's efforts and expenditures in producing them. Subject to this provision, there shall be no limitation on any Party to implement abbreviated approval procedures for such products on the basis of bioequivalence and bioavailability studies.

Id. art. 1711(6).

213. Id.

214. Id.

215. Article 1711(7) provides that: "where a Party relies on a marketing approval granted by another Party, the reasonable period of exclusive use of the data submitted in connection with obtaining the approval relied on shall begin with the date of the first marketing approval relied on." Id. art. 1711(7).
8. **Article 1712: Geographical Indications.**

As a general principle, Article 1712 prohibits the use or registration of misleading or otherwise unfairly competitive geographical indications. Article 1721(2) defines geographical indication as “any indication that identifies a good as originating in the territory of a Party, or a region or locality in that territory, where a particular quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.” This definition apparently fails to include geographical indications identifying origination outside the territory of a Party. To avoid confusion, Article 1712(9) explicitly rejects any interpretation of Chapter 17 that would require “a Party to protect a geographical indication that is not protected, or has fallen into disuse, in the Party of origin.” In short, Article 1712 applies to geographical indications identifying origination within a Party’s territory that have not been injected into the public domain.

a. Restrictions on Geographical Indications.

With respect to the covered geographical indicators, Article 1712(1) requires each Party to provide a “legal means for interested persons to prevent: (i) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a territory, region or locality other than the true place of origin, in a manner that misleads the public as to the geographical origin of the good; [and] (ii) any use that constitutes an act of unfair competition within the meaning of Article 1\textsuperscript{0}bis of the Paris Convention.” Concerning unfair competition, Article 1\textsuperscript{0}bis prohibits acts contrary to honest commercial practices including acts creating confusion between the actors goods and those of a competitor, false statements aimed at discrediting a competitor, and misleading indications or claims regarding the nature or quality of goods.\textsuperscript{216}

Article 1712(2) requires each Party either to refuse to register or to invalidate prior registration of a trademark containing a misleading geographical indicator.\textsuperscript{217} Article

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\textsuperscript{216} Specifically, the relevant provisions of Article 1\textsuperscript{0}bis proscribes unfair competition as follows:

(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

(3) The following in particular shall be prohibited:

1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;

2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;

3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.

\textsuperscript{217} In its entirety, Article 1712(2) provides as follows:

Each Party shall on its own initiative if its domestic law so permits or at the request of an interested person, refuse to register, or invalidate the registration of, a trademark containing or consisting of a geographical indication with respect to goods that do not originate in the indicated territory, region or locality, if use of the indication in the trademark for such goods is of such a nature as to mislead the public as to the origin of the good.

*Id.* art. 1712(2).
1712(2) allows registration and protection of a false geographical indicator as long as it is not "of such a nature as to mislead the public as to the geographical origin of the good."218 A Party need only deem the geographical indicator as not misleading in order to extend it trademark protection. Once again, the exception could swallow the rule.

Similarly, Article 1712(3) requires refusal or invalidation of trademark protection for valid geographical indicators that nevertheless "falsely represents to the public that the goods originate in another territory, region or locality."219 The defects in both Article 1712(1) and Article 1712(2) are equally applicable to such valid, but misleading geographical indicators.

b. Retroactivity.

Both Article 1712(4) and Article 1712(5) prevent retroactive application of the prohibitions against misleading geographical indications.220 Special provisions included below specifically carve out several products for protection (apparently irrespective of their retroactive effect). Article 1712(4) prevents application of Article 1712 to any geographical indications that either were used for at least ten years before December 8, 1992 (no good faith requirement) or were used in good faith before December 8, 1992. Article 1712(5) prevents retroactive application of Article 1712 if a trademark "has been applied for or registered in good faith, or where rights to a trademark have been acquired through use in good faith."221 Article 1712(5)'s exception prevents Article 1712 from prejudicing "eligibility for, or the validity of, the registration of a trademark, or the right to use a trademark on the basis that such a trademark is identical with, or similar to, a geographical indication."222

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218. Id.

219. Article 1712(3) provides that: "[e]ach Party shall also apply paragraphs 1 and 2 to a geographical indication that, although correctly indicating the territory, region or locality in which the goods originate, falsely represents to the public that the goods originate in another territory, region or locality." Id. art. 1712(2).

220. Article 1712(4) provides as follows:

Nothing in this Article shall be construed to require a Party to prevent continued and similar use of a particular geographical indication of another Party in connection with goods or services by any of its nationals or domiciliaries who have used that geographical indication in a continuous manner with regard to the same or related goods or services in that Party's territory, either:

(a) for at least 10 years, or
(b) in good faith, before the date of signature of this Agreement.

Article 1712(5) provides as follows:

Where a trademark has been applied for and registered in good faith, or where rights to a trademark have been acquired through use in good faith, either:

(a) before the date of application of these provisions in that Party, or
(b) before the geographical indication is protected in its Party of origin, no Party may adopt any measure to implement this Article that prejudices eligibility for, or the validity of, the registration of a trademark, on the basis that such a mark is identical with, or similar to, a geographical indication.

Id. arts. 1712(4), 1712(5).

221. Id.

222. Id.
c. Exceptions.

Article 1712 includes exceptions for customary terms, a person or business' own name, and good faith use protected by a voluntary statute of limitations. Article 1712(6) permits a Party to extend trademark protection to geographical terms that are "identical to the customary term in common language in that Party's territory for the goods or services to which the indication applies." Arguably, "champagne" would fall into this category. Due to the subjective nature of the phrase "customary term in common language," application of this provision could seriously undermine the effectiveness of this Article. In contrast, Article 1712(8) creates a more manageable exception for using a person's own name or a predecessor's name. In enforcing Article 1712, no Party may prejudice "any person's right to use, in the course of trade, its [sic] own name or the name of its [sic] predecessor in business." A Party may, however, limit such use either when the "name forms all or part of a [preexisting] valid trademark" if such use would cause a likelihood of confusion or when the "name is used in such a manner as to mislead the public." Finally, Article 1712(7) permits a Party to provide a good faith statute of limitations. In so doing, a Party may require requests for refusal or invalidation of a trademark to be made within five years "after the adverse use of the protected indication has become generally known in the Party or after the date of registration of the trademark in that Party" (if the date is earlier than the date on which adverse use became generally known). For registration to trigger the beginning of the five-year statute of limitations, the trademark must be published.

223. Article 1712(6) provides that: "[n]o Party shall be required to apply this Article to a geographical indication if it is identical to the customary term in common language in that Party's territory for the goods or services to which the indication applies." Id. art. 1712(6).

224. Article 1712(8) provides as follows:

No Party shall adopt any measure implementing this Article that would prejudice any person's right to use, in the course of trade, its name or the name of its predecessor in business, except where such name forms all or part of a valid trademark in existence before the geographical indication became protected and with which there is a likelihood of confusion, or such name is used in such a manner as to mislead the public.

Id. art. 1712(8).

225. Id.

226. Id.

227. The preceding explication seeks to make sense of a poorly drafted provision. Article 1712(7) provides as follows:

A Party may provide that any request made under this Article in connection with the use or registration of a trademark must be presented within five years after the adverse use of the protected indication has become generally known in that Party or after the date of registration of the trademark in that Party, provided that the trademark has been published by that date, if such date is earlier than the date on which the adverse use became generally known in that Party, provided that the geographical indication is not used or registered in bad faith.

Id. art. 1712(7).

228. Id.

Annex 313 specifically requires each Party to recognize as distinctive products: (i) Tequila and Mezcal for Mexico; (ii) Bourbon Whiskey and Tennessee Whiskey for the United States; and (iii) Canadian Whiskey for Canada. The three provisions have parallel language which appears to require mandatory protection. The following provision serves as an example:

Canada and Mexico shall recognize Bourbon Whiskey and Tennessee Whiskey, which is straight Bourbon Whiskey authorized to be produced only in the State of Tennessee, as distinctive products of the United States. Accordingly, Canada and Mexico shall not permit the sale of any product as Bourbon Whiskey or Tennessee Whiskey, unless it has been manufactured in the United States in accordance with the laws and regulations of the United States governing the manufacture of Bourbon Whiskey and Tennessee Whiskey.

The provision protecting both Tequila and Mezcal includes a delay in enforcement of protection for Mezcal. Annex 313 does not become effective for Mezcal until either “the date of entry into force of this Agreement, or 90 days after the date when the official standard for this product is made obligatory by the Government of Mexico, whichever is later.” Although the Annex is couched in mandatory terms, it is not mentioned anywhere in Chapter 17 and is most notably missing from the section on geographical indications.


Article 1713 extends intellectual property right protection to selected industrial designs that are not otherwise protected, including textiles and other manufactured products. Article 1713(1) requires each Party to “provide for the protection of independently created industrial designs that are new or original.”229 The term “independently created” is not defined either in Article 1713 or in Article 1721. “New or original” designs, however, are defined in the negative. Specifically, “designs are not new or original if they do not significantly differ from known designs or combinations of known design features.”230 Another limitation on protection of design features relates to the degree to which a design is dictated by its function. NAFTA’s functionality exclusion, however, is sufficiently vague as to permit significant latitude in implementation. According to Article 1713(1)(b), industrial design protection “shall not extend to designs dictated essentially by technical or functional considerations.” Each Party has the discretion to define the extent to which a design is or is not essentially dictated by its technical or functional requirements.231

229. Article 1713(1) provides as follows:
   Each Party shall provide for the protection of independently created industrial designs that are new or original. A Party may provide that:
   (a) designs are not new or original if they do not significantly differ from known designs or combinations of known designs; and
   (b) such protection shall not extend to designs dictated essentially by technical or functional considerations.

230. Id. art. 1713(1).
231. Id. art. 1713(1)(a).
229. Given the fundamental compatibility of the current Parties’ national laws on industrial design protection, this latitude does not present a problem.
Article 1713(2) prohibits imposition of requirements that "unreasonably impair a person's opportunity to seek and obtain such protection." Article 1713(2) clarifies the term "unreasonably impair" as including issues of cost, application, examination, and publication. Additionally, each Party may comply with this obligation either through its "industrial design law or copyright law."

a. Rights.

Article 1713(3) requires each Party to provide industrial design right holders the right to prevent the making or selling of copies or substantially similar copies of the protected designs without authorization. Specifically, Article 1713(3) provides: "each Party shall provide the owner of a protected industrial design the right to prevent other persons not having the owner's consent from making or selling articles bearing or embodying a design that is a copy, or substantially a copy, of the protected design, when such acts are taken for commercial purposes." The owner of a protected industrial design not only has the right to refuse consent, but also the power to prevent unauthorized copies from being made or sold. Significantly, the protection extends both to unauthorized copies incorporating the pirated design and to substantially similar copies. Thus, the infringing article need not be identical. Nevertheless, the article must be made or sold for commercial, not private, purposes.

b. Exceptions.

Although the precise formulation is slightly different from the exceptions clause in the copyright provision, the general problems with the exception clause in Article 1713(4) are the same as discussed above. The only guidance provided in the provision is that any limitations must not "unreasonably conflict with the normal exploitation of protected industrial designs," "unreasonably prejudice the legitimate interests of the owner" thereof or ignore the "legitimate interests of other persons." Again, the problematic phrases left undefined are: (i) "unreasonably conflict;" (ii) "normal exploitation;" (iii) "unreasonably prejudice;" and (iv) "legitimate interests" of both the owner and other persons (probably are not the same). The failure to define such phrases creates ambiguity that must be resolved either by negotiation among the Parties or by some adjudicative forum.

232. Article 1713(2) provides as follows:

Each Party shall ensure that the requirements for securing protection for textile designs, in particular in regard to any cost, examination or publication, do not unreasonably impair a person's opportunity to seek and obtain such protection. A Party may comply with this obligation through industrial design law or copyright law.

Id. art. 1713(2).

233. Id.

234. See supra Part I.A.1(d).

235. Specifically, Article 1713(4) provides as follows:

A Party may provide limited exceptions to the protection of industrial designs, provided that such exceptions do not unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking into account the legitimate interests of other persons.

NAFTA, supra note 2, art. 1713(4).
c. **Term.**

Article 1713(5) requires each Party to protect industrial designs for a minimum of ten years.\(^2\)

**B. ADDITIONAL PROTECTION REQUIRED UNDER THE SUBSTANTIVE PROVISIONS OF THE FOUR TREATIES INCORPORATED INTO CHAPTER 17.**

As mentioned above, Article 1701(2) requires member countries to give effect to the substantive provisions of the Geneva, Berne, Paris, and UPOV Conventions. Where those provisions overlap with the protections, rights, and obligations imposed by NAFTA, they are excluded from the following discussion as redundant.

1. **Substantive Provisions of the Geneva Convention Not Included in NAFTA.**

The Geneva Convention requires protection of producers of phonograms against the following infringing actions. First, the making of duplicates without the producer's consent. Second, the importation of such duplicates if for the purpose of public distribution. And, third, the distribution of the covered duplicates to the public. NAFTA's protection exceeds the protections included in the Geneva Convention, rendering reference to the Convention unnecessarily duplicative.

2. **Substantive Provisions of the Berne Convention Not Included in NAFTA.**

The primary substantive provision included in the Berne Convention, but not in NAFTA, relates to the protection of moral rights in Article 6\(^{bis}\). Annex 1701.3(2), however, explicitly exempts the United States from application of this Article's rights and obligations. Nevertheless, Article 6\(^{bis}\) apparently still applies between Canada and Mexico. Since the United States reserved application of this Article to itself, it cannot, under the theory of reciprocity, invoke its application against any other Party. Mexico could, however, invoke its application against Canada. And, conversely, Canada could invoke Article 6\(^{bis}\) against Mexico. Similarly, new members may be subject to moral rights obligations.

3. **Substantive Provisions of the Paris Convention Not Included in NAFTA.**

Article 1702 requires the Parties to give effect to the substantive provisions of the Paris Convention in addition to those included in NAFTA. The Paris Convention includes protection of industrial property having "as its object patents, utility models, industrial designs, trademarks, service marks, trade names, indication of source or appellations of origin, and their repression of unfair competition." Most of the trademark provisions of the Paris Convention are either explicitly incorporated into or superseded by Article 1708.

The following trademark provisions are not subsumed in that Article. Article 6\(^{quinque}\) of the Paris Convention requires mutual protection of trademarks among member countries. Currently, the United States and Canada both have provisions complying

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\(^2\) Article 1713(5) provides as follows: "Each Party shall provide a term of protection for industrial designs of at least 10 years." NAFTA, supra note 2, art. 1713(5).

\(^2\) See Paris Convention, supra note 20.
with this requirement.\textsuperscript{238} Article 6\textit{quinquies} requires that: "every trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Union, subject to the reservations indicated in this Article."\textsuperscript{239} Such mutual protection applies even when the registered mark "differs from the mark protected in the country of origin only in respect of elements that do not alter its distinctive character and do not affect its identity in the form in which it has been registered in the said country of origin."\textsuperscript{240} The Paris Convention defines a "country of origin" as the "country of the Union where the applicant has a real and effective industrial or commercial establishment, or, or he has no such establishment within the Union, the country of the Union where he has his domicile, or, if he has no domicile within the Union but is a national of a country of the Union, the country of which he is a national."\textsuperscript{241} The registration may be invalidated or denied registration when the mark infringes third party rights in the country where protection is claimed, when the mark is inherently non-distinctive or generic, or when the mark either is contrary to morality or public policy or is deceptive.\textsuperscript{242}

Article 4 of the Paris Convention grants priority to trademarks duly filed in one member country as long as an application is subsequently filed within six months in the member country where protection is claimed. The filing date is then the date of the original filing.\textsuperscript{243} The trademark holder's priority gives the holder superior rights to third parties using confusingly similar marks after the date of the original filing, but before the subsequent filing in the member country (the second country). Currently, all three NAFTA Parties comply with Article 4's requirements.\textsuperscript{244}

Finally, Article 8 of the Paris Convention requires member countries to protect trade names regardless of whether the trade name either is registered or forms part of a trademark. Currently, all three NAFTA Parties comply with the requirements of this Article.\textsuperscript{245}

4. \textit{Substantive Provisions of the UPOV Conventions.}

According to the sources currently available, NAFTA's requirements either meet or exceed each of the substantive provisions included in the UPOV Conventions.


\textsuperscript{239} Paris Convention, \textit{supra} note 20, 6\textit{quinquies} A.(1).

\textsuperscript{240} Id. at C.(2).

\textsuperscript{241} Id. at A.(2).

\textsuperscript{242} Id. at B.1-3.

\textsuperscript{243} Id. art. 4.

\textsuperscript{244} See Lanham Act, § 44, 15 U.S.C. § 1126 (1996), and § 44, Canada, RSC, ch T-13, § 34; and Mexico, IPL arts. 117-118.

\textsuperscript{245} See Lanham Act, § 44, 15 U.S.C. § 1126 (1996), and § 44, Canada, RSC, ch T-13, § 52; and Mexico, IPL art. 105.
III. Protection of Intellectual Property Consistent with NAFTA.

A thorough examination of current U.S., Canadian, and Mexican law is beyond the scope of this article. The following discussion focuses on the direct changes instituted as a result of NAFTA. Since NAFTA requires each Party to extend the nationals of each member country treatment no less favorable treatment than it accords its own nationals, it is essential for an intellectual property attorney to become familiar with recent changes in domestic law.

A. Changes in U.S. Law Required by NAFTA.

1. Copyright.

NAFTA’s primary effect on U.S. copyright law is the resurrection of copyrights in selected foreign films. As discussed above, films injected into the public domain due to inadequate or non-existent copyright notice during the period from January 1, 1978 to March 1, 1989 may receive copyright protection if the requirements are satisfied and a Statement of Intent was filed before December 31, 1994. Such protection does not, however, begin protection from the date the requirements are satisfied. Instead, the term begins to run from the original date of publication with the defective or non-existent notice. An important exception was established protecting those who “lawfully made or acquired copies of motion pictures” during the time the films were in the public domain.

2. Sound Recordings.

In NAFTA’s implementing legislation, the United States eliminated a “sunset” provision for rental rights in sound recordings set to expire on October 4, 1997. As a result, persons wishing to rent lawfully obtained copies of sound recordings may not do so without the permission of the copyright holders.


No change to U.S. law is required because of existing telecommunications law on the subject of encrypted program-carrying satellite signals. The United States achieved its goal of increasing prevention of theft by neighboring countries.

4. Trademarks.

NAFTA does not require the United States to make any major revisions to its trademark law. Some changes will nevertheless be required. First, the United States will need to

246. See Neff & Smallson, supra note 104 (including a synopsis of the major United States, Canadian and Mexican intellectual property laws in its Appendix).
247. See supra Part I.A.1(e).
248. Id.
249. Id.
250. Id.; see Martin, supra note 80.
251. Id.
252. See Martin, supra note 80.
require the presumption of a likelihood of confusion whenever the mark is identical for identical goods. Also, a proviso would need to be enacted preventing refusal of an application for failure to use a mark within the first three years. If the United States interprets the "impossibility of use" defense as applicable both to abandonment and to the initial registration period, then such a requirement would need to be added. The United States needs to modify its requirement for a trademark owner to file an affidavit of continued use to take account of the two year minimum non-use provision in Article 1708(8).254 Similarly, the requirement of an affidavit of use to accompany an application for trademark renewal needs to be modified to take account of the minimum two year non-use requirement for cancellation based on abandonment.255

5. **Patents.**

Although the only change required by Article 1709 relates to the inventive activity occurring outside the United States, the importance of this change should not be underestimated.256 U.S. patent law is based on the first to invent system, as opposed to Mexico and Canada's first to file systems.257 As a result, NAFTA's Article 1709(7) requires the United States to recognize inventive activities in both Canada and Mexico.258 Since proving the date of invention in Canada and Mexico would be extremely difficult under either the Canadian or Mexican judicial systems, the United States required Canada and Mexico to recognize that evidence of invention must be subject to U.S. discovery proceedings to the same extent as if the acts occurred in the United States.259 Mexican and Canadian inventors now "have an opportunity to actually defeat a U.S. inventor based on earlier dates of invention if the non-U.S. inventor is willing and able to comply with the discovery requirements of the tribunal."260

Regarding the UPOV Conventions, the United States has already implemented legislation complying with the UPOV 1991 Convention amendments.261

6. **Layout Designs of Semiconductor Integrated Circuits.**

The United States grants exclusive rights in a topography in the Semiconductor Chip Protection Act of 1984 (Chip Act).262 Section 902 addresses the subject matter of protec-

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256. See Fields, supra note 102.
259. See Report of the Industry Functional Advisory Committee for Trade in Intellectual Property Rights on the North American Free Trade Agreement, Sept. 11, 1992, at 15; Fields, supra note 102, at 10. "One of the problems associated with this proposed changes in U.S. law [was] that Canada and Mexico do not provide the same scope and types of evidentiary discovery available in the United States." Id.
tion, while section 908 deals with registration.\textsuperscript{263} Section 910 covers enforcement of exclusive rights.\textsuperscript{264} Specifically, section 902(a)(2) and section 914 extend protection to foreign nationals of a country that is a party to a treaty protecting mask works to which the United States is also a party.\textsuperscript{265} Since NAFTA satisfies this requirement, the Chip Act protects both Canadian and Mexican layout designs, including mask works.

7. Trade Secrets.

Even though U.S. trade secret law is a state-based common law issue, accession to NAFTA did not require specific changes in the law. Regarding governmental disclosure of trade secrets, the United States exempts "trade secrets and commercial or financial information obtained from a person" from disclosure under the Freedom of Information Act.\textsuperscript{266}

8. Geographical Indications.

Amendments to the Lanham Act — pursuant to Article 1712 — address the exclusion from protection of geographically deceptively misdescriptive marks.\textsuperscript{267} The amendment provides a grandfather clause for marks that have become distinctive of the applicant's goods in commerce before December 8, 1993.\textsuperscript{268} Otherwise, marks that are "primarily geographically deceptively misdescriptive" are refused registration on both the principal and supplemental trademark registers despite wide publication of the mark.\textsuperscript{269}


Although industrial design legislation has been repeatedly rejected, the United States protects industrial designs through its laws governing design patents, copyright, and trademarks. Currently, U.S. laws, taken as a whole, meet the minimum standards of protection required by NAFTA in Article 1713.

B. Changes in Canadian Law Required by NAFTA.

1. Copyright.

In both the Copyright Amendment Act and the North American Free Trade Agreement Implementation Act, Canada modified its Copyright Act to include protection for computer programs as literary works as well as to establish the required rental rights.\textsuperscript{270} The Canadian commercial rental right, however, is narrowly circumscribed as

\begin{footnotes}
\item 263. Id.
\item 264. Id.
\item 265. Id.
\item 266. 5 U.S.C. § 552(b)(4) (1996).
\item 267. See Martin, supra note 80, at 25.
\end{footnotes}
only applying to "true rentals entered into for the purpose of gain." Therefore, a person could rent computer programs if they do not seek to recover more than their costs (including overhead). The Intellectual Property Improvement Act (Improvement Act) further "extend[ed] the application of the Act to works that are protected according to the 1971 text of the Universal Copyright Convention." The changes pursuant to the Improvement Act are minor in comparison with the changes under the Copyright Amendment Act and the North American Free Trade Agreement Implementation Act.273

2. Sound Recordings.

Canada implemented a new provision establishing a rental right for sound recordings, giving the producer the right to authorize or prohibit rental of the recording. The Canadian law narrowly prescribes the rental right as including only those rentals motivated by gain. Rentals of either computer programs or sound recordings without the motive of gain (without profit motive) is deemed not to be a rental and, consequently, does not invoke NAFTA.275


The one year delay was granted at Canada's request to give it time to create implementing legislation on this issue.

4. Trademarks.

Canada amended its Trademarks Act in 1993 when it enacted the Improvement Act and other implementation legislation. The amended Trademarks Act requires a registration to be canceled or amended for failure to show evidence of use for the two year period before the date that the CanadianTrademark Office requested such evidence. Canada also complied with the three year post-filing period of non-use by granting the trademark owner either three years from filing or six months after notice is issued, whichever is later, to deliver to the Registrar a declaration of use. Canada amended its trademark licensing provisions permitting both direct and indirect control over the production of goods or services to be sufficient for the licensee's use to be credited to the trademark owner. Recent amendments permit U.S. applicants to "rely on U.S. registra-

271. NEFF & SMALLSON, supra note 104, at 32. This proviso is consistent with Article 1705(2)'s "essential object" exception.
272. See Gendreau, supra note 270, at 185.
273. NAFTA Implementation Act, Part III C. Ga., 1921, 1960, art. 57(2) (1993) (amending subsection 5(4) of the Copyright Act); see also Gendreau, supra note 270, at 185-86.
274. NAFTA Implementation Act, Part III C. Ga., 1921, 1960, art. 57(2) (1993) (amending subsection 5(4) of the Copyright Act); see also NEFF & SMALLSON, supra note 104, at 41.
277. Id. at § 45; see also Bruce W. Schwab, The New Era in Trademark Treaties and Multinational Agreements, 393 PLI/Pat 169 (1994).
278. Id.
279. Id. at §§ 2, 30(e), 40, 50; see also Joseph Sofer et al., Canada Strengthens Trademark Laws, 6 No. 7 J. PROPRIETARY RTS. 33 (1994) (reviewing the most recent changes in Canadian trademark law).
tions obtained solely on the U.S. Patent and Trademark Office's supplemental register to procure a corresponding registration in Canada."

Some of the most important trademark law changes are those amendments to the Trademark Act strengthening "the remedies restricting the flow of infringing goods into Canada." The amendments not only give trademark owners the right "to apply to the Federal Court of Canada or the superior court of a province for an order to have customs officials detain infringing products," but also permit "an ex parte application to be made to the court, to be followed by an action for a final determination as to the legality of the importation of the goods." As a result, the amendments reverse Canada's previous practice requiring final determination before importation could be barred.

Even with the 1993 amendments, Canadian law arguably falls short of some of NAFTA's requirements. First, Canada fails to explicitly provide for protection of collective marks. Second, Canada fails to require use of identical marks on identical goods or services to create a presumption of likelihood of confusion. Finally, Canada grants its registrar the discretion to impose conditions or restrictions on licenses as it deems proper or if the license is deemed to be contrary to the public interest. Although the discretion may not be exercised contrary to NAFTA, the possibility may not be acceptable.

5. Patents.

The changes in Canadian patent law are more significant than that required of either the United States or of Mexico. Canada has taken steps to comply with NAFTA's requirements through the Patent Act Amendment Act of 1992 and the North American Free Trade Agreement Implementation Act. Sample changes included elimination of Canada's pre-NAFTA compulsory licensing regime for the pharmaceutical industry, extension of the twenty year term of patent protection for prescription pharmaceutical,

280. See Sofer, supra note 279, at 33. The validity of this provision has yet to be upheld by a Canadian court. The provision may be held invalid because it would permit circumvention of some of Canada's requirements. Until the new rule is upheld, a trademark holder should continue to seek registration both in the United States and Canada. For those who have been unable to secure a Canadian trademark, however, this provision may extend the scope of protection.


284. R.S.C., ch T-13, § 50(7) (1992) (Can.). Recent changes in Canada's licensing system should limit the discretion actually exercised by the registrar. In particular, Canada eliminated its registered-user system, replacing it with a licensing system controlled by the trademark owner. The new amendments permit the "use of a trademark by a licensee [to be] deemed the same as the use of the mark by the owner, whether the mark is registered or not -- as long as the owner exercises, directly or indirectly, 'control of the character or quality of the wares or services' supplied by the licensee." See Evans, supra note 281.


and application of importation to satisfy local patent working requirements. Finally, Canada modified its allocation of the burden of proof in infringement proceedings to comply with Article 1709(11).

6. **Layout Designs of Semiconductor Integrated Circuits.**

Essentially, the Canadian ICT Act already complies with the provisions of NAFTA regarding layout designs. Canada protects topography by granting exclusive rights therein, registration provisions, and legal proceedings against infringers.

7. **Trade Secrets.**

Canada's trade secret laws generally conform to NAFTA's requirements. Canadian law, however, gives the government significant discretion regarding disclosure of pharmaceutical and agricultural information submitted for purposes of obtaining marketing approval.

8. **Geographical Indications.**

To date, Canada has made no changes to its Trademarks Act relating either to geographical indications or to Tequila, Mezcal, Tennessee Whiskey or Bourbon Whiskey.

9. **Industrial Designs.**

The only specific change in Canadian law required by NAFTA relates to the term of protection. Previously, Canadian law governing industrial designs provided for an initial term of five years-renewable for up to an additional five years. Recently, this provision was amended guaranteeing the full ten year term of protection for industrial property.

C. **Changes in Mexican Law Required by NAFTA.**

In 1991, Mexico upgraded its intellectual property protection as evidence of its commitment both to the protection of intellectual property rights and to the consummation of an agreement with the United States and Canada. Although the additional changes to Mexican patent laws required by NAFTA are minimal, NAFTA has the effect of "locking in Mexico's updated laws." One of the most significant changes was the creation of the Mexican Institute of Industrial Property (IMPI). The IMPI, a decentralized organization, has


291. Id. § 3.

292. Id. §§ 4, 15-22.

293. Id. §§ 8, 9, 14.


295. Potential Impact, see supra note 24; see also Ehrenhaft, supra note 258; Victor Bulmer Thomas et al., Mexico and the North American Free Trade Agreement 189-90 (1994).

296. El Instituto Mexicano de la Propiedad Industrial.
administrative authority over industrial property to coordinate intellectual property protection, including jurisdiction to resolve disputes. Under these amendments, the IMPI has authority "to seek the settlement of controversies and to act as arbiter upon the request of the Parties involved in order to assess damages." Following the 1991 changes in its intellectual property laws, Mexico increased its compliance with NAFTA's trademark provisions. Several areas, however, remain out of alignment with NAFTA.

1. **Copyright.**

At the time that NAFTA was ratified, Mexico had already codified many of NAFTA's required components. The Mexican law implementing these changes was the 1991 revision to the Federal Author's Rights Law (LFDA). The Decreto que Reforma (Decreto) adds the following excerpt to the LFDA at Article 9: compilations of data or other material, whether in machine readable or other form, which by reason of the selection and arrangement of their content constitutes creations of an intellectual character, shall be protected as such. This protection will not extend to the data or the material itself, nor will it be granted in prejudice of any copyright subsisting in the data or material. The LFDA also provided a new term of copyright protection for copyrightable works – the life of the author plus seventy-five years. The extension of copyright protection does not, however, include works already injected into the public domain. Public domain works previously subject to a small fee owed to the Mexican Government are now free, subject only to the limitation that the author's moral rights remain protected.

Since Mexico has not added a protection for computer programs as literary works and for rental rights to computer programs in its recent amendments, Mexico may rely on the self-executing status of NAFTA.

2. **Sound Recordings.**

NAFTA does not require substantial additional changes to Mexican law on this subject due to the changes implemented by Mexico in 1991 as part of its author's rights reform. Nevertheless, NAFTA negotiations prompted the changes in Mexican law on this subject as well as many others.

3. **Encrypted Program-Carrying Satellite Signals.**

The one-year delay gave Mexico time to enact legislation including both civil and criminal liability as dictated by the terms of Article 1707. Absent formal legislation, Mexico may choose to rely on NAFTA text relating to satellite signals.

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300. See NEFF & SMALLSON, supra note 104, at 7, 31.
301. The Decreto, art. 9 (amending the LFDA); NEFF & SMALLSON, supra note 104, at 31.
302. Id.
303. See NEFF & SMALLSON, supra note 104, at 31.
304. See id. at 41.
4. Trademarks.

As with the United States and Canada, Mexico does not require use of an identical mark on identical goods or services to create a presumption of a likelihood of confusion. Mexico currently prohibits protection of stand-alone letters, numbers, and colors - contrary to Article 1708(1).

It is questionable whether Mexico's requirement that a license be registered with the Ministry of Commerce and Industrial Development in order for the licensee's use to inure to the benefit of the trademark owner is consistent with Article 1708(9). Article 1708(11) permits some conditions on licensing, but does not address the issue of conditions for a licensee's use to inure to the benefit of the trademark owner. Article 1708(9) requires recognition of a third party's use as the trademark owner's use when such use is subject to the owner's control. Licensing would seem to satisfy the control issue.\(^3\) Therefore, Article 1708(9) does not clearly prohibit Mexico's registration requirement. This issue will have to be decided either through litigation or clarification by Mexican legislation.

Current Mexican law may need changing in two additional areas. First, the Mexican requirement that a licensee's name be included with the trademark may contravene Article 1708(10)'s prohibition of a linkage requirement.\(^3\) If so, then the requirement will need to be changed. Second, the broad discretion granted the Ministry of Commerce and Industrial Development regarding the power to deny license registration or transfer of rights in the public interest may impose impermissible requirements or conditions under either Article 1708(10) or 1708(11), or both.

Late in 1994, the Mexican legislature passed several amendments relating to trademark protection.\(^3\) The amendments require a well-known mark to be "defined by the recognition afforded by a specific sector of the public or through commercial activities that take place in Mexico or through publicity and advertisement."\(^3\) The amendments make three changes relating to use requirements. First, regarding cancellation due to non-use, Mexico now permits cancellations "only from lack of use in the three consecutive years immediately preceding the filing of an application for cancellation due to non-use."\(^3\) Second, business, corporate or partnership names used by an individual, partnership or corporation "may be applied to those products that are manufactured or distributed or for services rendered by that individual, partnership, or corporation."\(^3\) And, third, Mexico adopted the "own name" exception preventing the exclusive use of a trademark from being effective "against the use of a business, corporate or partnership name, provided it does not create confusion with respect to products or services covered by a similar mark previously registered or a trade name previously published."\(^3\)

Finally, the amendments pro-

\(^3\) See infra note 306.

306. See IPI art. 139: "The products that are sold or the services that are provided by the [licensee] shall be of the same quality as those produced or provided by the owner of the trademark. Moreover, those products or the establishment in which the services are provided or contracted shall indicate the name of the [licensee] and such other information as may be contemplated by the Regulations under this Law."


308. Delgado, supra note 297, at 235.

309. Id.

310. Id. at 235-36.

311. Id. at 236.
hibit the exclusive right conferred on a trademark owner to "adversely affect the importation of legitimate products for use, distribution, or commercialization." What constitutes a "legitimate product" remains undefined.

5. Patents.

NAFTA requires Mexico to protect mask works, to extend patent protection to plant breeders, to prohibit hijackers from making available encrypted program-carrying satellite signals, and to enforce intellectual property rights at the border. Article 1709 requires Mexico to reverse the burden of proof on the infringement of process patents by putting the burden on the accused infringer, not the patent holder. Additionally, Mexico must refine its current enforcement procedures. Effective January 1, 1995, Mexico acceded to the Patent Cooperation Treaty.

The recent amendments made several significant changes to Mexican patent protection. The most significant change relates to the list of patentable items. Previously, the patent law listed those items protected by Mexican patent laws, leaving the residual unprotected. Now, Mexican patent law lists those items not patentable, leaving all other items patentable. Under the current law, the following items are not protected: (i) essential biological processes for production, reproduction, and propagation of plants and animals; (ii) biological and genetic material as found in nature; (iii) vegetable and animal varieties; and (iv) the human body and the living organisms that make it up. The new amendments, however, only protect inventions to which a "new use has been added, provided such use is not obvious to those skilled in the art." Another significant change is the requirement that the IMPI receive applications related to vegetable varieties of all classes to fulfill the UPOV Convention requirements.


Pursuant to Annex 1710.9, Mexico had until January 1, 1998 to implement protection for layout designs. Again, absent formal legislation, Mexico may choose to rely on the text of NAFTA relating to layout designs.

7. Trade Secrets.

Mexico recently adopted its first trade secrets law, providing for a national scheme for protecting trade secrets. Most significantly, the IPL now provides for injunctive relief as

312. Id.
313. Id.
314. Patent, Trademark & Copyright Law News Developments in Brief, PAT. TRADEMARK & COPYRIGHT DAILY, Jan. 12, 1995 ("making it the 74th country to join the PCT"). Once a patent holder files in the United States or another PCT country, the holder has one year to file in order to obtain protection in other member countries. See Arthur Wineburg, Securing Protection of Your Intellectual Property Abroad 74 J. PAT. [& TRADEMARK] OFF. SOC'Y 603, 607 (August, 1992).
315. See Delgado, supra note 297, at 235.
316. See id.
317. See id.
318. See id.
319. IPL, supra note 306.
required in Article 1711. Arguably, Mexico will need to expand its definition of trade secrets to explicitly include protection for trade secret information with a potential for commercial value. Currently, the Mexican formulation could exclude such information.

8. Geographical Indications.

As a member of the 1958 Lisbon Agreement on denominations of origin, Mexico already has provisions protecting geographical indications. Nevertheless, Mexico will need to implement protections for Bourbon, Tennessee, and Canadian Whiskeys.


The 1991 changes to Mexican industrial property law adequately satisfied the minimum requirements set forth in Article 1713. Mexican authorities take the position that there is no need to make any further changes. The recent amendments, however, require industrial designs and utility models to comply with the absolute novelty requirements.

IV. NAFTA Requires Effective, Expeditious, and Equitable Enforcement of Intellectual Property Rights.

NAFTA negotiators recognized the need for inclusion of enforcement provisions—the absence of which would render NAFTA little more than an illusory goal. The Articles in Chapter 17 relating to enforcement of intellectual property rights seek to guarantee effective, expeditious, and equitable enforcement of its included or incorporated substantive provisions. By allowing recourse to the general dispute resolution measures, NAFTA negotiators buttressed the enforcement provisions in Chapter 17. The extent to which the enforcement provisions add teeth to the substantive provisions of Chapter 17 will depend in part on the effectiveness of the operative language included in those provisions. The willingness and ability of each Party to implement (or require implementation) of these provisions will determine the extent to which NAFTA actually protects intellectual property rights more than any other binational or international agreement.

A. Enforcement Requirements in Chapter 17.

In general, Chapter 17 requires each Party to provide both an adequate and an effective means of enforcing intellectual property rights. Based on the fact that many of the enforcement provisions require Mexico to provide remedies already available in the United States, some have "characterized these provisions as the Americanization of Mexican law." Since

320. Id. at 236 (stating that the revision gives "the authorities the power to order the cessation of any act that infringe[s] industrial property rights, as well as to seize or withdraw from circulation any infringing products and their means of manufacture). Consistent with both Article 1715 and Article 1716 (discussed in Part IV.A.), the amendments require the party bringing the action to "provide a bond for any damages or losses that could result from the action, and thus indemnify the prejudiced party should the action turn out to be groundless." Id.

321. NEFF & SMALLSON, supra note 104, at 103.

322. Id. at 121.

323. Delgado, supra note 297, at 235.

324. NEFF & SMALLSON, supra note 104, at 127.
both Canada and the United States have substantially similar enforcement provisions, the characterization overemphasizes U.S. influence in the negotiations. Nevertheless, Chapter 17 requires more changes in the Mexican legal system than either of its other partners. As more countries accede to NAFTA, these enforcement provisions will have an increasingly important impact on the protection of intellectual property in the Americas. Perhaps a proper characterization for these provisions would be the "Americanization of intellectual property law," with Americanization referring to the Americas (not to the United States).


Chapter 17's internal enforcement provisions begin with a general provision requiring each Party to ensure the availability of the enforcement provisions included in Articles 1715 through 1718. Article 1715 sets forth the procedural mechanisms and the remedial alternatives required to enforce Chapter 17's substantive provisions. Since justice delayed is often justice denied, intellectual property rights frequently must be enforced by provisional measures. Article 1716 requires each Party to establish prompt and effective provisional measures satisfying the requirements outlined therein. Article 1717 strives to buttress the other enforcement provisions by requiring each Party to provide limited criminal sanctions.


Article 1714 accomplishes two tasks. After establishing three overriding principles governing domestic enforcement procedures, the Article sets forth the general procedural requirements for intellectual property protection under NAFTA. The high degree of subjectivity imbedded in the articulation of both the overriding principles and the general procedural requirements render Article 1714 of little more utility than a preamble. Like a preamble, Article 1714 sets the tone that underlies the enforcement provisions as well as provides a reference point for understanding those provisions.

(i) Guiding Principles.

The three guiding principles articulated by Article 1714 are set out in its first two paragraphs. First, Article 1714(1) requires each Party to ensure that Chapter 17's enforcement procedures are made "available under its domestic law so as to permit effective action to be taken against any act of infringement of intellectual property rights" covered therein.
According to Article 1714(1), effective action requires expeditious remedies both to prevent infringements and to deter further infringements.\(^{329}\)

At first blush, the difference between these two goals appears non-existent. Prevention and deterrence are merely two different ways of expressing the same idea. The fact that they are articulated as two separate goals requires an interpretation that distinguishes them from one another. "[E] xpeditious remedies to prevent infringements" can be interpreted as the general preventative measure normally satisfied by ordinary legal channels of enforcement. Deterrence of "further infringements" would then address those situations where the plaintiff seeks preliminary injunction to avoid further infringements by the same person pending resolution of the trial. Chapter 17's breakdown of the enforcement procedures appears to confirm this interpretation. Article 1715 deals with the normal legal process, whereas Article 1716 addresses the provisional measures regarding prevention of further infringements.

The second guiding principle is also found in Article 1714(1). Specifically, Article 1714(1) prohibits the use of enforcement procedures for the purpose of creating barriers to legitimate trade.\(^{330}\) This principle harkens back to the fundamental reason for NAFTA's existence, namely, to "eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the territories of the Parties."\(^{331}\) The principle is further enshrined in NAFTA's preamble where the Parties resolved to "[c] ontribute to the harmonious development and expansion of world trade and provide a catalyst to broader international cooperation."\(^{332}\) Additionally, Article 1701(1) specifically refers to this limitation on the enforcement of intellectual property rights.\(^{333}\)

As desirable as the principle of avoiding trade barrier creation may be, it incorporates a potential for abuse whenever a Party chooses to avoid the enforcement provision's requirements. For example, over-zealous border protection of computer programs or layout designs of semiconductor integrated circuits could result in examination procedures taking hours, days or even weeks. In this situation, either Party could invoke the barrier exception. The Party whose goods are being delayed could protest the search as unreasonably exhaustive and as creating a barrier to legitimate trade. Alternatively, the other Party could turn the argument around and use it as a reason to refuse to give adequate border protection claiming that it would create a barrier to trade prohibited by Chapter 17.\(^{334}\)

The reciprocity principle, however, will probably inhibit abuse of barrier creation as justification for abrogating NAFTA's enforcement provisions. Under the reciprocity principle, Party A's invocation of the trade barrier would trigger similar assertions by Parties B and C. This tit-for-tat scenario could degenerate trade relations. On the one hand, intellectual property rights could be unprotected, and on the other, such tensions could escalate into a trade war. The Parties' general awareness of these risks should inhibit the abuse of the trade barrier exception.

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329. Id.
330. See Knudsen, supra note 288.
331. NAFTA, supra note 2, art. 102(1)(a).
332. Id. pmbl.
333. Article 1701(1) reads, in part, as follows: "while ensuring that measures to enforce intellectual property rights do not themselves become barriers to trade." Id. art. 1701.
334. Assume that what is "adequate" can be and has been objectively measured.
As a practitioner, one should consider challenging a procedure based on its effectiveness as either adequate or inadequate, as the case may be. If the customs procedure inhibits the free flow of one's products, then the argument would be that the procedures create barriers to one's legitimate trade. If the procedures are not sufficient to prevent piracy, then the argument would be that the failure to provide adequate enforcement creates a barrier to legitimate trade by permitting excessive illegitimate trade. Given the limited elaboration provided in Chapter 17 regarding creation of barriers, reference to this argument should be buttressed to other arguments based on either of the other two principles.

Article 1714(2) sets forth the third guiding principle by requiring each Party to ensure that its enforcement procedures are “fair and equitable, are not unnecessarily complicated or costly, and do not entail unreasonable time-limits or unwarranted delays.” The problem with this principle is the same as with nearly every overriding principle in NAFTA. Namely, the terms used to describe the principle are ambiguous and inherently subjective. Fairness and equity not only are ambiguous terms, but also both require each decision to be linked to the facts of the dispute and limit the applicability of a decision in future cases. Other crucial terms and phrases such as “unnecessarily complicated” and “unwarranted delays” are equally subjective. Given Article 1714’s preamble-like purpose, the ambiguity and subjectivity are less innocuous.

In summary, the three principles guiding the interpretation and application of Chapter 17’s enforcement procedures are: (i) enforcement procedures should be effective against any infringement of intellectual property rights; (ii) enforcement procedures should not be used to create trade barriers; and (iii) enforcement procedures should be fair, simple and efficient.

(ii) General Procedural Requirements.

Although Article 1714(5) specifically states that NAFTA does not require any Party to establish a separate enforcement system for intellectual property rights, Chapter 17’s enforcement provisions set forth specific guidelines for enforcement. Whether conducted in judicial or administration enforcement proceedings, Article 1714(3) requires all decisions to satisfy the following general criteria: (i) decisions must be on the merits; (ii) “preferably in writing and preferably state the reasons on which the decisions are based;” (iii) “made available at least to the Parties in a proceeding without undue delay;” and (iv) “based only on evidence in respect of which such Parties were offered the opportunity to be heard.” The qualifier “preferably” softens Article 1714(a) from an absolute requirement to a strong suggestion. In short, Article 1714(4) requires all decisions not only to be made on the merits, but also to be based on reasons capable of articulation, which are in turn based on evidence presented where both parties have the opportunity to present their arguments.

335. Article 1714(2) provides that: “[e]ach Party shall ensure that its procedures for the enforcement of intellectual property rights are fair and equitable, are not unnecessarily complicated or costly, and do not entail unreasonable time-limits or unwarranted delays.” NAFTA, supra note 2, art. 1714(2).

336. Article 1714(5) states: “Nothing in this Article or Article 1715 through 1718 shall be construed to require a Party to establish a judicial system for the enforcement of intellectual property rights distinct from that Party's system for enforcement of laws in general.” Id. art. 1714(5). Although the primary purpose of this provision was to address Mexican concerns, the most recent amendments to the IPL granted a newly created institution the power and ability to resolve intellectual property disputes. See supra Part II.C.
Article 1714(4) requires the parties to have access to judicial review in every administrative case. Judicial review may be denied, however, in de minimis cases heard by courts of first instance. Article 1714(4) only requires each Party to provide review of the "legal aspects of initial decisions on the merits of a case," not a de novo review. To avoid the problems of double jeopardy, Parties are not required to grant judicial review for acquittals in criminal cases.

b. Article 1715: Specific Procedural and Remedial Aspects of Civil and Administrative Procedures.

In contrast to most other Chapter 17 provisions, Article 1715 is extremely detailed. The primary emphasis of this Article is to ensure that both the civil and administrative procedures are fair and equitable as well as to ensure the timely resolution of intellectual property disputes under Chapter 17. Article 1715(1) lays out the general requirements intended to guarantee the parties a fair hearing (notice and opportunity to be heard). Additional issues dealt with by Article 1715 include discovery of information exclusively within the control of the alleged infringer, remedies each Party must make available to their judicial authorities and governmental immunities.

According to Article 1715(1), each Party must ensure that "certain fundamental procedural and remedial aspects of civil and administrative proceedings" are available to every right holder. Article 1714(6) specifically defines "right holders" as including "federations and associations having legal standing to assert such rights." Pursuant to Article 1715(1), the following procedures must be available to all right holders for the enforcement of any intellectual property right provided in Chapter 17: (i) defendants have the right to written notice that is timely and contains sufficient detail, including the basis of the claims; (ii) Parties in a proceeding are allowed to be represented by independent legal counsel; (iii) the procedures do not include imposition of overly burdensome requirements concerning mandatory personal appearances; (iv) all Parties in a proceeding are duly entitled to substan-

337. Article 1714(4) provides as follows:
Each Party shall ensure that parties in a proceeding have an opportunity to have final administrative decisions reviewed by a judicial authority of that Party and, subject to jurisdictional provisions in its domestic laws concerning the importance of a case, to have reviewed at least the legal aspects of initial judicial decisions on the merits of a case. Notwithstanding the above, no Party shall be required to provide for judicial review of acquittals in criminal cases.
NAFTA, supra note 2, art. 1714(4).

338. Id.

339. See Lehman, supra note 171. "NAFTA spells out in great detail the nature of enforcement procedures that must be available for intellectual property, both within the country and at the border." Id.


341. Specifically, Article 1714(6) provides that: "[f]or the purposes of Articles 1715 through 1718, the term 'right holder' includes federations and associations having legal standing to assert such rights." According to Neff, this provision is an "apparent reference to the statutory entitlement of Mexican authors' societies to take action on behalf of their members." See NEFF & SMALLSON, supra note 104, at 130.
tiate their claims and to present relevant evidence; and (v) the procedures include a means to
identify and protect confidential information.342 Except for Article 1715(1)(e), the preceding
requirements would fit within U.S. due process rubric. To encourage reliance on Chapter 17
and its enforcement provisions, dispute resolution avenues must be perceived as unbiased
and fair. Guaranteeing each party to the dispute a voice in the proceedings goes a long way
toward increasing the perception of fairness and equity.

Mexico is the Party with the most enforcement problems.343 Effective October 1,
1994, the Mexican Institute of Industrial Property (IMPI), a small, autonomous agency,
was given "strong powers of search, seizure and closure."344 To promote the goals of
NAFTA and to protect the improving image of Mexico, the IMPI must strive both to give
the utmost appearance of neutrality and to avoid any appearance that its decisions are
either arbitrary or capricious. It is too soon to determine the extent to which the IMPI will
be an effective enforcement agency.

(i) Discovery Issues.

Articles 1715(2)(a) and 1715(2)(b) require each Party to provide for limited discovery
enforcement powers to be vested in the judicial authorities. Article 1715(2)(a) requires the
Parties to grant their courts the power to order one party exclusively within its control to
produce evidence for the opposing party.345 When the information is confidential, as in
the case of trade secrets, steps must be taken to protect the confidentiality of the informa-
tion so produced. The provision seeks to balance the competing goals of ensuring a full
and fair trial and of maintaining the integrity of a trade secret. Even though the trade
secret is released for the limited purpose of litigation, it is often difficult to police the
Parties to prevent the secret's exploitation. The precise measures a judicial authority must
take to protect confidential information are not explicitly addressed in Chapter 17.

In cases where a judicial authority orders disclosure of evidence and the party both
fails to produce the evidence voluntarily and fails to give a good reason for refusing to pro-
duce the evidence, Article 1715(2)(b) requires each Party to give the judicial authority the
power to make both preliminary and final determinations on the basis of evidence pre-

342. Article 1721(1) defines "confidential information" for the limited purposes of Chapter 17 as
including "trade secrets, privileged information and other materials exempted from disclosure
under the Party's domestic law." NAFTA, supra note 2, art. 1721(1). Thus, to fully understand this
 provision, one must closely examine the Party's laws regarding what is, or is not, protected as
 confidential.

343. See NEFF & SMALLSON, supra note 104, at 59.

344. Mexico: Still in the Vanguard, ECONOMIST INTELLIGENCE UNIT (Sept. 26, 1994); see also supra
Part II.C.

345. In full, Article 1715(2)(a) requires each Party to provide its judicial authority the authority:
(a) where a party in a proceeding has presented reasonably available evidence suffi-
cient to support its claims and has specified evidence relevant to the substantia-
tion of its claims that is within the control of the opposing party, to order the
opposing party to produce such evidence, subject in appropriate cases to the condi-
tions that ensure the protection of confidential information.
NAFTA, supra note 2, art. 1715(2)(a).
In such cases, NAFTA requires judicial authorities to be empowered to base their decisions on the complaint or the allegations presented by the adversely affected party. Similar judicial authorities shall have the power to make such decisions when the recalcitrant party "significantly impedes" a proceeding or does not "provide relevant evidence under that party's control within a reasonable period." The crucial limitation on this power is that such decisions are subject to the Parties' rights to have an "opportunity to be heard on the allegations or evidence." A crucial question is the extent to which different judges may deem protection of trade secrets a sufficiently good reason to refuse access to confidential information. A balancing of interests might include an in camera inspection of the information to determine how crucial the information is to the outcome of the case. Once the relevance of the information is determined, the judicial authority can balance the relevance of the evidence against the risks from disclosure (considering the difficulty of policing the information once disclosed).

These discovery provisions seek to prevent the moving party from being unfairly prejudiced by the non-moving party's refusal to disclose vital information that is within the non-moving party's exclusive control. Absent such discovery provisions, the non-moving party could prevail based on the insufficiency of the evidence. Since the infringing party frequently has exclusive control over most of the evidence, intellectual property rights are particularly susceptible to the pitfalls of a party's unilateral control over information. These provisions, therefore, grant the judicial authorities the "authority to draw negative inferences from a litigant's failure to comply with the disclosure requirements."

(ii) Available Remedies: Injunction, Damages, Costs and Attorney's Fees and Disposal of Infringing Goods or Materials.

Availability of effective remedies must be ensured and establishment of liability must be through fair and equitable procedures concluded in a timely fashion. By explicitly addressing injunctive remedies, monetary damages, costs and attorney's fees, and disposal issues, Article 1715 seeks to guarantee access to a broad range of remedial measures. Authority to impose each of these sanctions is granted by Article 1715, while the exercise

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346. Article 1715(2)(b) requires each Party to provide its judicial authorities with the authority:

(b) where a party in a proceeding voluntarily and without good reason refuses access to, or otherwise does not provide relevant evidence under that party's control within a reasonable period, or significantly impedes a proceeding relating to an enforcement action, to make preliminary and final determinations, affirmative or negative, on the basis of the evidence presented, including the complaint or the allegation presented by the party adversely affected by the denial of access to evidence, subject to providing the parties an opportunity to be heard on the allegations or evidence.

Id. art. 1715(2)(b).

347. Id.

348. Id.

349. Id.

350. PAUL, supra note 104, at 96.

351. See supra Part IV.A.1.a.(1) (discussing Article 1714(2)).
of such authority is left to the discretion of the judicial authority.\textsuperscript{352} As a result, the judicial authority has the flexibility to tailor the remedy to fit the situation. Given its illusive nature, intellectual property right protection demands such flexibility.

Injunctive relief is one of the most important judicial powers assured by Article 1715.\textsuperscript{353} According to Article 1715(2)(c), each Party must provide its judicial authority the power:

\begin{quote}
\begin{itemize}
\item to order a party in a proceeding to desist from infringement, including to prevent the entry into the channels of commerce in their jurisdiction of imported goods that involve the infringement of an intellectual property right, which order shall be enforceable at least immediately after customs clearance of such goods.
\end{itemize}
\end{quote}

A judicial or administrative authority should be empowered to prevent infringing imported goods from entering the channels of commerce in addition to enjoining further infringement by goods already within its jurisdiction.\textsuperscript{354} Although Article 1715(3) is "consistent with the principle disfavoring retroactive application of the law found throughout NAFTA," its application extends to certain innocent infringers.\textsuperscript{355} Specifically, Article 1715(3) provides:

\begin{quote}
with respect to the authority referred to in subparagraph 2(c), no Party shall be obliged to provide such authority in respect of protected subject matter that is acquired or ordered by a person before that person knew or had reasonable grounds to know that dealing in that subject matter would entail the infringement of an intellectual property right.\textsuperscript{356}
\end{quote}

The provision relieves a Party's obligation to permit injunctive relief only when the inno-

\textsuperscript{352} Although the provisions included in Article 1715 are not explicitly required in an administrative proceeding, Article 1715(8) requires that the guiding principles underlying the substantive procedures of any provisional measures ordered by an administrative body must conform to the provisions set out in Article 1716. Specifically, Article 1715(8) provides that: "[e]ach Party shall provide that, where a civil remedy can be ordered as a result of administrative procedures on the merits of a case, such procedures shall conform to principles equivalent in substance to those set out in this Article." NAFTA, supra note 2, art. 1715(8). Although the principles need not be identical, they must be equivalent in substance.

\textsuperscript{353} To date, Mexican courts have not resorted to injunctive relief as a way to enforce intellectual property rights. To state the obvious, absence of prospective relief in the form of an enforceable injunction leaves intellectual property rights holders without effective protection. For relief to be effective, a right holder must be able to stop others from using and/or benefitting from the protected information. See NEFF & SMALLSON, supra note 104, at 59; see also Intellectual Property Enforcement Issues to Play Major Role in NAFTA Talks, PAT. TRADEMARK & COPYRIGHT J. (BNA) (Oct. 25, 1991) (stating both that "a major difference in [Mexico's] approach to protecting intellectual property rights is in the area of pre-trial remedies" and that "injunctive relief is not a part of the Mexican legal tradition").

\textsuperscript{354} See Baron, supra note 260 (stating that recourse to injunctive relief will significantly increases the value of patents in Mexico and Canada if they are fully enforced).

\textsuperscript{355} NEFF & SMALLSON, supra note 104, at 133.

\textsuperscript{356} Emphasis added.
cent infringer was less than negligent in his or her actions. In other words, if the potential defendant was negligent, then the judicial or administrative authority must be empowered to issue an injunction. The exemption also incorporates protection of infringers who acquired or ordered the infringing material before NAFTA became effective.

In addition to providing for injunctive relief, Article 1715(2) requires each Party to empower its judicial authorities, and their administrative counterparts, to award adequate compensation to compensate for injuries to both right holders and/or wrongfully enjoined or restrained parties (whichever is applicable). Although “adequate compensation” is left undefined, such compensation may include costs and attorney’s fees. For a court to be able to award adequate compensation, however, the injury must have been “suffered because of [an] infringement where the infringer knew or had reasonable grounds to know that it was engaged in an infringing activity.” The simple negligence standard applied here is consistent with the standard required for availability of injunctive relief.

Although the standard for determining the liability of an infringer is fairly clear, the standard applicable against a party abusing the enforcement procedures is much less clear. Article 1715(2)(f) grants judicial authorities the power to award adequate compensation to parties wrongfully enjoined or restrained only when the plaintiff in the proceeding “abused enforcement procedures.” Article 1715 fails to establish guidelines for deciding the key issue. Namely, what actions can and/or do constitute abuse of enforcement procedures. Further, adequate compensation only extends to those injuries suffered as a result of the abuse. Not to belabor the point, but the provision does not address whether the injuries must be the direct result of the abuse or whether injuries indirectly caused by the abuse must also be compensated. Surely, some variant on the foreseeability doctrine will be applied. As with all the other cases where Chapter 17 fails to provide adequate guidelines, this provision creates fertile ground for disputes to develop.

357. In contrast to the standard required to impose liability for trade secrets violations, the standard for imposing injunctive relief is simple negligence (not gross negligence).

358. The relevant provisions of Article 1715(2) require each Party to provide its judicial authorities with the power to act as follows:

(d) to order the infringer of an intellectual property right to pay the right holder damages adequate to compensate for the injury the right holder has suffered because of the infringement where the infringer knew or had reasonable grounds to know that it was engaged in an infringing activity;

(e) to order an infringer of an intellectual property right to pay the right holder’s expenses, which may include appropriate attorney’s fees; and

(f) to order a party in a proceeding at whose request measures were taken and who has abused enforcement procedures to provide adequate compensation to any party wrongfully enjoined or restrained in the proceeding for the injury suffered because of such abuse and to pay that party’s expenses, which may include appropriate attorney’s fees.

See also NAFTA, supra note 2, art. 1715(2)(a).

359. Id. arts. 1715(2)(e), 1715(2)(f).

360. See id. art. 1715(2)(d).

361. Article 1715(4) carves out an exception to this mens rea requirement for copyrighted works and sound recordings. See discussion below.

362. See supra note 335.

363. See NAFTA, supra note 2, art. 1715(2)(f).
Since Article 1715(4) permits a Party to authorize its judicial or administrative authorities to order more limited damages in the absence of intent, the burden of proving the infringer's negligence is not always required. Each Party is permitted, but not required, to provide such damages "at least to copyrighted works and sound recordings." Although an innocent infringer may be liable for damages, Article 1715(4) limits the scope of liability to the narrow range consisting of profits and/or statutory damages (usually includes costs and attorneys fees). In essence, Article 1715(4) permits a Party to prevent innocent infringers from being unjustly enriched at the expense of the right holder.

The primary purpose of Article 1715(5) is infringement deterrence. To effectively deter infringement, this Article requires each Party to provide its judicial and administrative authorities the power to order the disposal of goods, materials, and implements outside the channels of commerce. In short, the thief cannot benefit from the theft. The means of disposal must not only avoid injury to the right holder, but must also minimize the risk of further infringements as well as comply with constitutional requirements. If disposal of an infringing good outside the channels of commerce would undermine the right holder's sales, then a court might order the goods destroyed. Since destruction of the

364. Article 1715(4) provides as follows:

With respect to the authority referred to in subparagraph 2(d) [adequate compensation requirement], a Party may, at least with respect to copyrighted works and sound recordings, authorize the judicial authorities to order recovery of profits and payment of pre-established damages, or both, even where the infringer did not know or had no reasonable grounds to know that it was engaged in an infringing activity.

Id. art. 1715(4).

365. Id.

366. Damages available under this provision include "recovery of profits or payment of pre-established damages, or both." Id.

367. Article 1715(5) provides as follows:

Each Party shall provide that, in order to create an effective deterrent to infringement, its judicial authorities shall have the authority to order that:

(a) goods that they have found to be infringing be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to avoid any injury caused to the right holder or, unless this would be contrary to existing constitutional requirements, destroyed; and

(b) Materials and implements the predominant use of which has been the creation of the infringing goods be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringements.

In considering whether to issue such an order, judicial authorities shall take into account the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of other persons. In regard to counterfeit goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce.

NAFTA, supra note 2, art. 1715(5).

(emphasis added) It is important to note the difference in treatment of goods and the treatment of materials and implements. Disposal of materials and implements requires them to be used predominantly for the infringing purpose.

368. Id.
goods pursuant to a court order could be deemed a taking, compliance with the Party's constitution becomes a critical issue.

In the case of materials and implements, the court must determine the extent to which creation of infringing matter is their predominant use. If the materials or implements could be used equally as well for legitimate purposes, then Article 1715(5) does not provide for their disposal or destruction. Given the absence of a provision permitting disposal of materials or implements when the predominant use is not for creation of infringing goods, the right holder would most likely be limited to adequate compensation and disposal of any existing infringing goods.

Article 1715(5) requires judicial authorities to "take into account the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of other persons." Article 1715(5) specifically states, however, that "simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases." The consideration of proportionality is therefore not limited to the ease of removal of the offending object (e.g., the trademark). In the case of a simple removal of a trademark, the infringer's losses would be minimized to the point of irrelevance. As such, the removal would not be an effective deterrent to future infringers.

(iii) Governmental Liability.

Traditional analysis of sovereign immunity separates the issues of governmental immunity between a public official's individual liability and state liability for the actions of its officials. Article 1715(6) addresses the issue of a public official's individual liability. Article 1715(7) deals with the scope of sovereign immunity.

Article 1715(6) is an anti-corruption device directed at public authorities and officials. Public authorities and officials are only exempt from liability when they act or intend to act in good faith in the administration of any law relating to the protection or enforcement of intellectual property rights. Article 1715(7) permits a Party to limit its liability exposure relating to infringement of intellectual property rights to "payment to the right holder of adequate remuneration in the circumstances of each case, taking into account

369. Id.
370. Id.
371. "State" refers to both of the primary levels of the federal systems (e.g., State and Federal in the United States, not municipal).
372. Article 1715(6) provides as follows:

In respect of the administration of any law pertaining to the protection or enforcement of intellectual property rights, each Party shall only exempt both public authorities and officials from liability to appropriate remedial measures where actions are taken or intended in good faith in the course of the administration of such laws.

See NAFTA, supra note 2, art. 1715(6). One question arising from this provision is the extent to which this provision requires each Party to provide a means for imposing liability on judicial authorities. In the United States, judges are immune from civil liability for judicial actions. In some civil law countries, however, judges are not immune to civil liability. In those states permitting civil liability for judicial actions, waiver of immunity usually relates to criminal actions such as bribery. Waiver of judicial immunity even in such limited cases would nevertheless be a significant change from current United States practice.
the economic value of the use." A Party may extend its quasi-immunity to those Parties infringing an intellectual property right on its behalf. Consistent with traditional just compensation requirements, adequate remuneration does not explicitly include non-pecuniary value of the use.

c. Article 1716: Provisional Measures.

One of NAFTA's chief accomplishments regarding enforcement of intellectual property rights is the requirement that each Party provide injunctive relief prior to resolution of the dispute in select circumstances. Provisional measures may be invoked either prior to the institution of litigation or pending the outcome of litigation, or both. Article 1716 sets forth the requirements an applicant for imposition of the prescribed provisional measures must satisfy before they will be imposed on a defendant. Moreover, this article empowers appropriate authorities to order ex parte provisional measures and addresses revocation issues particularly germane to the defendant.

(i) Initiation of Provisional Measures.

NAFTA requires each Party to provide its judicial authorities with the authority to "order prompt and effective provisional measures" for two purposes. First, Article 1716(1) permits provisional measures to be taken "to prevent an infringement of any intellectual property right, and in particular to prevent the entry into the channels of commerce in their jurisdiction of allegedly infringing goods, including measures to prevent the entry of imported goods at least immediately after customs clearance." Thus, the measures to prevent infringement of any intellectual property right should prevent their entry

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373. In full, Article 1715(7) provides as follows:
   Notwithstanding the other provisions of Articles 1714 through Article 1718, where a Party is sued with respect to an infringement of an intellectual property right as a result of its use of that right or use on its behalf, that Party may limit the remedies available against it to the payment to the right holder of adequate remuneration in the circumstances of each case, taking into account the economic value of the use.
   See id. art. 1715(7).

374. Id. The potential magnitude of the governmental exemption should not be underestimated. Infringing use of an intellectual property right on behalf of a Party could easily extend to those contracting with the Party.

375. Arguably, economic value takes into consideration some of the non-pecuniary value.

376. See Foster & Alexander, supra note 340.

377. NAFTA, supra note 2, art. 1716(1). The applicability of these principles to administrative decisions is the same as with Article 1715. Although the provisions included in Article 1716 are not explicitly required in an administrative proceeding, Article 1716(8) requires that the guiding principles underlying the substantive procedures of any provisional measures ordered by an administrative body must conform to the provisions set out in Article 1716. Specifically, Article 1716(8) provides that: "[e]ach Party shall provide that, where such provisional measure can be ordered as a result of administrative procedures, such procedures shall conform to principles equivalent in substance to those set out in this Article." NAFTA, supra note 2, art. 1716(8). Although the principles need not be identical, they must be equivalent in substance.

378. See id. art. 1716(1)(a).
into the stream of commerce within the judicial authority's jurisdiction.\textsuperscript{379} Absent provisional measures preventing infringement, the right holder may be irreparably harmed. For example, the right holder's reputation for quality may be ruined.

The second purpose for which provisional measures may be taken is "to preserve relevant evidence in regard to the alleged infringement."\textsuperscript{380} Evidence of infringement often disappears "as soon as the defendant has an inkling that it is about to be cited or charged for having engaged in infringement activities."\textsuperscript{381} Accordingly, judicial or administrative authorities may issue provisional measures either to prevent infringement or to preserve evidence, but may not issue such provisional measures for any other purpose.\textsuperscript{382} For example, a Party may not issue provisional measures merely to protect a favored industry.

Articles 1716(2) and 1716(3) establish the criteria a judicial or administrative authority may use to decide whether to grant or deny an applicant's request for provisional measures. When combined, these Articles compel each Party to enable its judicial authorities to require an applicant to show: (i) the applicant is the right holder; (ii) the applicant's rights are being infringed or that such infringement is imminent; (iii) any delay is either likely to cause irreparable harm to the right holder or runs the risk of evidence being destroyed; and (v) sufficient identification of the relevant goods to enable appropriate authorities to effectuate the provisional measures.\textsuperscript{383} The elements are similar to those required for U.S. Temporary Restraining Orders.

Article 1716(2) places two significant limitations on the exercise of judicial authority as it relates to the requirements an applicant must satisfy. First, judicial authorities may not require the applicant to prove an infringement exists before provisional measures can be

\textsuperscript{379} See Baron, \textit{supra} note 260 (stating that preliminary injunctions significantly increase the value of obtaining Mexican and Canadian patents when they are fully utili\textsuperscript{ed}).

\textsuperscript{380} See NAFTA, \textit{supra} note 2, art. 1716(1)(b).

\textsuperscript{381} See NEFF \& SMALLISON, \textit{supra} note 104, at 140.

\textsuperscript{382} The delineation of two acceptable purposes implies the negative of alternative purposes.

\textsuperscript{383} Article 1716(2) provides in full as follows:

Each Party shall provide that its judicial authorities have the authority to require any applicant for provisional measures to provide to the judicial authorities any evidence reasonably available to that applicant that the judicial authorities consider necessary to enable them to determine with a sufficient degree of certainty whether:

(a) the applicant is the right holder;

(b) the applicant's right is being infringed or such infringement is imminent; and

(c) any delay in the issuance of such measures is likely to cause irreparable harm to the right holder, or there is a demonstrable risk of evidence being destroyed.

Each Party shall provide that its judicial authorities shall have the authority to require the applicant to provide a security or equivalent assurance sufficient to protect the interests of the defendant and to prevent abuse.

See NAFTA, \textit{supra} note 2, art. 1716(2).

Article 1716(3) provides as follows:

Each Party shall provide that its judicial authorities shall have the authority to require an applicant for provisional measures to provide other information necessary for the identification of the relevant goods by the authority that will execute the provisional measures. See id. art. 1716(3).
instituted. The applicant need only refer to "evidence reasonably available to that applicant," and then only to the extent necessary to enable the judicial authorities to determine these elements "with a sufficient degree of certainty." This proviso recognizes the restraints on a right holder's ability to obtain evidence exclusively within the control of the infringer. Second, the judicial authority should balance the interests of both parties in its decision-making process. Specifically, Article 1716(2) requires each Party to grant its judicial authorities the power to require an applicant either "to provide a security or equivalent assurance sufficient to protect the interests of the defendant and to prevent abuse." These two limitations seek to balance the interests of both Parties.

(ii) *Ex Parte* Provisions.

Articles 1716(4) and 1716(5) dictate that each Party shall provide its judicial authority not only the power to issue provisional measures when both Parties are present, but also the power to issue such provisional measures on an *ex parte* basis. The ability to secure provisional measures without advance notification of the defendant enables a right holder to prevent destruction of valuable evidence. Unlike other tangible property, intellectual property is often readily disposable. For example, a computer program may be erased from a hard drive in a matter of seconds.

The reasons for granting *ex parte* provisional measures are the same as in cases where both Parties are present. To avoid needless injury to defendants, Article 1716(5) requires each Party's enforcement procedures to meet specific due process requirements. Specifically, Article 1716(5) requires each Party to provide that where provisional measures are adopted by that Party's judicial authorities on an *ex parte* basis: (i) a person affected shall be given notice of those measures without delay but in any event no later than immediately after the execution of the measures; (ii) a defendant shall, on request, have those measures reviewed by that Party's judicial authorities for the purpose of deciding, within a reasonable period after notice of those measures is given, whether the measures shall be modified, revoked or confirmed, and shall be given an opportunity to be heard in the review proceedings.

Thus, the due process rights of notice and opportunity to be heard are protected. It remains uncertain whether judicial review is required for *ex parte* provisional measures issued by administrative authorities, or whether administrative review is sufficient. Although both notice and opportunity to be heard are guaranteed in Article 1716, the precise application of these rights may vary significantly from one Party to another, rendering them either more or less effective depending on the choice of forum.

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384. See NAFTA, *supra* note 2, art. 1716(2).
385. See id. art. 1716(2).
386. *Id.*
387. Article 1716(4) provides that: "[e]ach Party shall provide that its judicial authorities shall have the authority to order provisional measures on an *ex parte* basis, in particular where any delay is likely to cause irreparable harm to the right holder, or where there is a demonstrable risk of evidence being destroyed." See id. art. 1716(4).
388. See id. art. 1716(5).
(iii) Revocation of Provisional Measures.

Both Article 1716(6) and Article 1716(7) address the revocation issue. Article 1716(6) places an automatic limitation on the duration of provisional measures. Accordingly, proceedings leading to a decision based on the merits must be initiated either (i) within a reasonable period as determined by the judicial authority ordering the measures where the Party's domestic law so permits; or (ii) in the absence of such a determination, within a period of no more than twenty working days or thirty-one calendar days, whichever is longer.\textsuperscript{389} The time limitation applies to all provisional measures, whether they were issued \textit{ex parte} or in the presence of both parties. If a judicial authority were to permit provisional measures for an inordinate period, one could refer to Article 1716(6)(b) as a reference point to argue that the time period is unreasonable.

Article 1716(7) requires a Party to enable its judicial authorities “to order the applicant, on request of the defendant, to provide the defendant appropriate compensation for any injury caused” by the provisional measures.\textsuperscript{390} Upon a defendant’s request, an applicant may be required to pay appropriate compensation if: (i) the measures are revoked; (ii) the measures lapse due to any act or omission by the applicant; or (iii) the judicial authority subsequently finds there has either been no infringement or no threat of infringement (whichever is applicable). Given the absence of a definition, “appropriate compensation” would be determined by the judicial authority without guiding principles.

d. Article 1717: Criminal Procedures and Penalties.

One of the most concise sections in Chapter 17 relates to criminal procedures and penalties. In general, Article 1717 requires criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale.\textsuperscript{391} According to Richard Neff, “[c]riminal penalties have proved particularly effective against piracy and counterfeiting on a commercial scale.”\textsuperscript{392} Each Party may also “provide criminal procedures and penalties to be applied in cases of infringement of [other] intellectual property rights . . . where they are committed willfully and on a commercial scale.”\textsuperscript{393} Therefore, the

\textsuperscript{389} See id. art. 1716(6).
\textsuperscript{390} In full, Article 1716(7) provides as follows:

Each Party shall provide that, where the provisional measures are revoked or where they lapse due to any act or omission by the applicant, or where the judicial authorities subsequently find that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, on request of the defendant, to provide the defendant appropriate compensation for any injury caused by these measures.

\textit{See id. art. 1716(7)}.

\textsuperscript{391} Article 1717(1) provides as follows:

Each Party shall provide criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale. Each Party shall provide that penalties available include imprisonment or monetary fines, or both, sufficient to provide a deterrent, consistent with the level of penalties applied for crimes of a corresponding gravity.

\textit{See id. art. 1717(1)}.

\textsuperscript{392} NEFF & SMALLSON, supra note 104, at 145.
\textsuperscript{393} See NAFTA, supra note 2, art. 1717(3).
extension of criminal liability beyond willful trademark counterfeiting and commercial scale copyright piracy requires both willful conduct and commercial scale.

Article 1717(1) requires each Party to make criminal procedures and penalties available in cases of "willful trademark counterfeiting or copyright piracy on a commercial scale." This provision contains two interpretive problems. First, the level of mens rea required for commercial copyright piracy is ambiguous. The question is whether "willful" modifies only trademark counterfeiting or both trademark counterfeiting and copyright piracy. Either interpretation of the sentence is plausible. Second, neither of these crimes is defined either in this Article or elsewhere in Chapter 17.

Both of the penalties provisions of Articles 1717(1) and 1717(2) contain similar defects. Although these articles give examples of penalties, the magnitude of the penalties remains unpredictable. The penalties include imprisonment and/or monetary fines, seizure, and forfeiture and destruction not only of infringing goods, but also of "any materials or implements the predominant use of which has been in the commission of the offense." Regarding the length of time appropriate for imprisonment and the appropriate amount of monetary fines, the only guidance given by Article 1717(1) is reference to the level of penalties applied for crimes of a "corresponding gravity." Reasoning by analogy can be a sloppy process for criminal offenses, resulting in significant discrepancies between courts of different jurisdictions. The potential for disparities is amplified by the fact that the separate jurisdictions not only reside in different countries, but also have distinctly different legal systems (civil law and common law). Also, Article 1717(1) refers to the amount of time or money that is "sufficient to provide a deterrent." Again, the section fails to provide guidelines as to what target level of deterrence is optimal.

Similarly, Article 1717(2) fails to furnish sufficient guidelines for determining when to order a seizure, forfeiture or destruction. Even though the appropriate response will necessarily depend on the circumstances, some guidelines could have been provided. Finally, Article 1717(2) gives judicial authorities the discretion to decide what constitutes a "predominant use" of the materials and implements sufficient to warrant seizure, forfeiture or destruction.

Since all members already provide criminal liability for willful trademark infringement and commercial copyright piracy (to a greater or lesser extent), Article 1717's mandatory provisions have no practical effect. Perhaps, as other countries become part of NAFTA, these sections will become more relevant. Given their inherent ambiguity, however, any impact will be minimal at best.


Article 1718 sets forth a series of detailed steps regulating the manner by which goods may be seized, detained, and either released, disposed of or destroyed. Although Article 1718 requires each Party to adopt procedures enabling a right holder to have customs seize and detain counterfeit trademark or pirated copyright goods, a Party may, but is not

394. See infra note 402.
395. Article 1717(2) provides that: "[e]ach Party shall provide that, in appropriate cases, its judicial authorities may order the seizure, forfeiture and destruction of infringing goods and any materials and implements the predominant use of which has been in the commission of the offense." Id. art. 1717(2).
396. See id. art. 1717(1).
required to, adopt such procedures for the remaining intellectual property rights contained in Chapter 17.397 This Article provides measures permitting a Party's competent authorities to seize goods "sua sponte" as well as measures permitting a right holder to request seizure of allegedly infringing goods.398 Consistent with NAFTA's concern for promoting commercial transactions and protecting private rights, Article 1718 specifically does not apply to private, non-commercial importation.399

a. Right Holder's Alternatives.

Chapter 17 gives the individual right holder the power to seek suspension of the potentially infringing goods as one avenue for preventing cross-border infringement of intellectual property rights. Article 1718(1) sets out the general guidelines for permitting a right holder to suspend another's rights to import goods, while Articles 1718(2) and 1718(3) provide more specific requirements. Even though the right is not unlimited, Article 1718(10) further enhances the right holder's position by authorizing limited inspection of detained goods.

When the right holder has valid grounds for suspecting designated goods as being either counterfeiting trademark or pirated copyright goods, Article 1718(1) specifically requires each Party to provide a right holder with procedures for suspending the importation of those goods.400 Although Article 1718(1) requires each Party to act with respect to counterfeiting trademark and pirated copyright goods, the Article designates three specific situations where the Party is not required, but is permitted, to act. First, each Party is not required to apply the provisions of Article 1718 to infringements of other intellectual property rights. Second, no Party is obligated to apply Article 1718's procedures to goods already in transit. Finally, the Parties are not required to provide corresponding procedures for goods destined to be exported from its territory. From the standpoint of enforcing intellectual property rights under NAFTA, the only mandatory cross-border protection relates to counterfeiting trademark and pirated copyright goods. Of course, if the Party provides additional cross-border protection to its own nationals, the national treatment provision requires the same protection to be extended to the nationals of the other Parties.

397. See id. art. 1718(1).
398. Compare Article 1718(1) with Article 1718(11).
399. Article 1718(13) provides in full that: "[a] Party may exclude from application of paragraphs 1 through 12 small quantities of goods of a non-commercial nature contained in travelers' personal luggage or sent in small consignments that are not repetitive." Id. art. 1718(13).
400. Article 1718(1) provides as follows:

Each Party shall, in conformity with this Article, adopt procedures to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark goods or pirated copyright goods may take place, to lodge an application in writing with its competent authorities, whether administrative or judicial, for the suspension by the customs administration of the release of such goods into free circulation. No Party shall be obliged to apply such procedures to goods in transit. A Party may permit such an application to be made in respect of goods that involve other infringements of intellectual property rights, provided that the requirements of this Article are met. A Party may also provide for corresponding procedures concerning the suspension by the customs administration of the release of infringing goods destined for exportation from its territory.

See id. art. 1718(1).
Whether the right holder has "valid grounds for suspecting" infringing importation contrary to Article 1718(1) depends on whether the right holder has shown a \textit{prima facie} case of infringement.\footnote{Article 1718(2) provides as follows:

Each Party shall require any applicant who initiates procedures under paragraph 1 to provide adequate evidence:

(a) to satisfy that Party's competent authorities that, under the domestic laws of the country of importation, there is \textit{prima facie} an infringement of its intellectual property right; and

(b) to supply a sufficiently detailed description of the goods to make them readily recognizable by the customs administration.

The competent authorities shall inform the applicant within a reasonable period whether they have accepted the application and, if so, the period for which the customs administration will take action.

\textit{See id.} art. 1718(2); \textit{see also id.} art. 1718(1).} Although Article 1718(2) states that a Party may require the right holder to provide adequate evidence showing the \textit{prima facie} case, the standard of proof a Party may require remains ambiguous. Article 1718(2) includes two additional requirements. First, the right holder must provide adequate evidence to supply customs officials a sufficiently detailed description of the goods to make them "readily recognizable."\footnote{\textit{Id.}} Second, the authorities must give the right holder reasonable notice of both the acceptance or rejection of the application and, if accepted, the period of time during which the goods will be detained.\footnote{\textit{Id.}}

By requiring the right holder to provide security, Article 1718(3) balances the right holder's interests and the defendant's interests.\footnote{Article 1718(3) reads in full that: "[e]ach Party shall provide that its customs administration shall promptly notify the importer and the applicant when the customs administration suspends the release of goods pursuant to paragraph 1." \textit{Id.}} Article 1718(3) establishes two soft restrictions on the amount of security a right holder must pay. Such security, or "

\textit{equivalent assurance}," should be sufficient not only to protect both the defendant and the competent authority, but also to prevent abuse of the process.\footnote{\textit{Id.; see also id.} art. 1718(5). Article 1718(5) provides as follows:

Each Party shall provide that its competent authorities shall have the authority to require an applicant under paragraph 1 to provide a security or equivalent assurance sufficient to protect the defendant and the competent authorities and to prevent abuse. Such security or equivalent assurance shall not unreasonably deter recourse to these procedures.

\textit{See id.} art. 1718(3).} At the same time, the security should not be so high as to deter recourse to Article 1718 procedures.\footnote{The protection of "competent authorities" is a bit perplexing. The only plausible rationale would be to prevent the public official and/or the Party from being held liable for goods erroneously detained. Perhaps the security requirement is intended to remove any suspicion of improper inducement (e.g., bribery of the customs official) that might subject the public official to liability.} Finally, Article 1718(1) includes a provision enabling the right holder to inspect
goods detained by customs officials. The inspection right includes two separate limitations. First, the inspection must be made to "substantiate the right holder's claims," not merely to satisfy the right holder's curiosity. Second, any inspection must not prejudice the protection of confidential information. As defined in Article 1721, such confidential information "includes trade secrets, privileged information and other materials exempted from disclosure under the Party's domestic law." To fully understand the limitation on inspection, the practitioner must examine the applicable Party's current law on confidential information.

b. Defendant's Rights.

Regarding a defendant's rights, Article 1718's primary concerns include the right to notice of detention, the right to challenge and to terminate detention of the goods, the right to appropriate compensation, and the right to inspect detained goods. According to Article 1718(5), a defendant must be promptly notified that the customs administration suspended release of its goods. The definition of what constitutes prompt notification is likely to vary among the Parties. In addition to prompt notification, Article 1718 requires each Party to give the importer an equal chance to inspect the goods. The following discussion will address the issues relating to termination of detention and appropriate compensation.

According to Article 1718(7), the defendant may seek a review of the decision to detain the goods if proceedings leading to a decision on the merits have been initiated.

407. Article 1718(10) is not fully discussed in any one section. To avoid confusion, the provision is set forth in its entirety below:

Without prejudice to the protection of confidential information, each Party shall provide that its competent authorities shall have the authority to give the right holder sufficient opportunity to have any goods detained by the customs administration inspected in order to substantiate the right holder's claims. Each Party shall also provide that its competent authorities have the authority to give the importer an equivalent opportunity to such goods inspected. Where the competent authorities have made a positive determination on the merits of a case, a Party may provide the competent authorities the authority to inform the right holder of the names and addresses of the consignor, the importer and the consignee, and of the quantity of goods in question.

See id. art. 1718(10). Article 1718(10)'s provision regarding names, addresses and quantity of goods will not be discussed elsewhere. Be aware, however, that once a right holder obtains a favorable judgment, the names and addresses of the infringers and the quantity of goods will be fully disclosed to the right holder. This provision becomes particularly relevant when issues of confidential information is involved in the dispute.

408. See id. art. 1718(1).
409. See also supra Part I.A.7.
410. See NAFTA, supra note 2, art. 1718(3).
411. See id. art. 1718(10).
412. Article 1718(7) provides as follows:

Each Party shall provide that if proceedings leading to a decision on the merits of the case have been initiated, a review, including the right to be heard, shall take place on request of the defendant with a view to deciding, within a reasonable period, whether these measures shall be modified, revoked or confirmed.

See id. art. 1718(7).
In addition to being guaranteed a review, the defendant also has both the right to be heard and the right to a decision within a reasonable period. The decision may modify, revoke or confirm the previous decision to suspend release of the goods. Access to this review is only guaranteed, however, if a proceeding on the merits has been initiated.

If no such proceedings have been initiated, then the defendant may rely on Article 1718(6) as a means to obtaining release of the detained goods. Absent initiation of proceedings within ten or twenty days (if extension is granted), Article 1718(6) requires the goods to be released if: (i) the other qualifications for importation or exportation are satisfied; and (ii) no competent authority has taken provisional measures prolonging the suspension. Thus, if the practicing attorney represents a client whose goods have been suspended by a Party's customs administration, the attorney must determine how long the goods have been suspended, whether prompt notice was given, whether a proceeding on the merits has been initiated, and whether a competent authority has taken provisional measures not governed by the time limitation included in Article 1718(6). Assuming the attorney cannot secure release of the client's goods under either Article 1718(6) or Article 1718(7), the customs administrators still may not detain the goods beyond the limits outlined in Article 1716(6). Specifically, the goods may not be detained for more than a reasonable period either as determined by the judicial or administrative authority, or not exceeding twenty working days or thirty-one calendar days.

Article 1718(4) addresses a very specific situation involving industrial designs, patents, integrated circuits or trade secrets. The procedures are set out in Article 1718(4) in “recog-

413. Id.
414. Id.
415. Article 1718(6) provides as follows:
Each Party shall provide that its customs administration shall release goods from suspension if, within a period not exceeding 10 working days after the applicant under paragraph 1 has been served notice of the suspension, the customs administration has not been informed that:
(a) a party other than the defendant has initiated proceedings leading to a decision on the merits of the case, or
(b) a competent authority has taken provisional measures prolonging the suspension, provided that all other conditions for importation or exportation have been met. Each Party shall provide that, in appropriate cases, the customs administration may extend the suspension by another 10 working days.
Id. art. 1716(6).
416. Article 1718(8) incorporates Article 1716(6) by reference:
Notwithstanding paragraphs 6 and 7, where the suspension of the release of goods is carried out or continued in accordance with the provisional judicial measure, Article 1716(6) shall apply.
Id. art. 1718(8). See supra Part IV.A.1.c.
417. Id.
418. Article 1718(4) provides as follows:
Each Party shall provide that, where pursuant to an application under procedures adopted pursuant to this Article, its customs administration suspends the release of goods involving industrial designs, patents, integrated circuits or trade secrets into free circulation on the basis of a decision other than by a judicial or other independent authority, and the period provided for in paragraphs 6 through 8
nition of the differences between various intellectual property rights." The defendant is entitled to have the detained goods released if: (i) the decision to suspend release of the goods was other than by a judicial or other independent authority; (ii) the period provided for in paragraphs 6 through 8 has expired without the granting of provisional relief by the duly empowered authority; (iii) all other conditions for importation have been complied with; and (iv) the owner posts a security in an amount sufficient to protect the right holder against any infringement. The primary difference between Articles 1718(4) and 1718(6) is the grant of an entitlement to the importer under Article 1718(4). The payment of security pursuant to Article 1718(4) must not prejudice the right holder's remedies, but must be returned to the defendant if the right holder fails to pursue its right of action within a reasonable period of time. Presumably, the disposition of the security following a decision on the merits would fall within the court or administrative body's jurisdiction.

Article 1718(9) requires each Party to provide its competent authorities the authority to order the applicant "to pay the importer, consignee and the owner of the goods appropriate compensation for any injury caused to them through wrongful detention of goods or through detention of goods released pursuant to" Article 1718(6). Two issues are particularly relevant for this section. First, what qualifies as adequate compensation. Second, what level of mens rea, if any, is required for an applicant to be liable to pay the importer. While the provision provides no insight into resolving the first issue, it indirectly addresses the second. Specifically, the payment is either for wrongful detention of goods or for

has expired without the granting of provisional relief by the duly empowered authority, and provided that all other conditions for importation have been complied with, the owner, importer or consignee of such goods shall be entitled to their release on the posting of a security in an amount sufficient to protect the right holder against any infringement. Payment of such security shall not prejudice any other remedy available to the right holder, it being understood that the security shall be released if the right holder fails to pursue its right of action within a reasonable period of time.

NAFTA, supra note 2, art. 1718(4).

419. See NEFF & SMALLSON, supra note 104, at 151. "The reason for this difference stems from the nature of the intellectual property right, the ability to discern infringement or misappropriation, and that these intellectual property rights require a higher degree of expertise than copyrights or trademarks." Id.

420. Id.

421. However, since Article 1718(6) states that a Party shall provide that its customs administration shall release the goods, the difference is little more than semantics. NAFTA, supra note 2, art. 1718(6).

422. Id.

423. Article 1718(4) does not specify how the security is to be disposed of in the case where the right holder pursues its right of action within a reasonable period of time. Id. art. 1718(4).

424. Article 1718(9) provides as follows:

Each Party shall provide that its competent authorities shall have the authority to order the applicant under paragraph 1 to pay the importer, consignee and the owner of the goods appropriate compensation for any injury caused to them through wrongful detention of goods or through detention of goods released pursuant to paragraph 6.

Id. art. 1718(9).
release under Article 1718(6)’s mandatory release provision.⁴²⁵ Arguably, the applicant may lose the case on the merits, but still could have been right in seeking the detention. Consider a case where the trademark counterfeiting charges were hotly contested and the applicant almost won the case. For those seeking to rely on NAFTA, once again the problem is the Article’s ambiguity.

Reference to Article 1718(6) may help. Release of goods pursuant to that provision is based on the applicant’s failure either to initiate formal proceedings or to seek provisional measures. The failure to pursue either avenue suggests that the applicant never had a valid claim. The suggestion of an alternative motive implicit in Article 1718(6), combined with the modifier “wrongful” added to detention, indicates the existence of a mens rea requirement. At the very least, there is a legitimate argument for requiring some level of mens rea before imposing liability. This discussion will not develop the plausible argument that Article 1718(9) requires strict liability.

c. Competent Authorities’ Ability to Act.

A Party’s “competent authority” may be either administrative, as in the United States, or judicial, as is the case with Canada.⁴²⁶ In addition to acting in response to requests by an applicant/right holder, a Party’s competent authorities may also act independently. Although Article 1718(11) permits a Party’s competent authorities to act sua sponte, it provides: (i) the competent authorities may at any time seek from the right holder any information that may assist them to exercise these powers; (ii) the importer and the right holder shall be promptly notified of the suspension by the Party’s competent authorities, and where the importer lodges an appeal against the suspension with the competent authorities, the suspension shall be subject to the conditions, with such modifications as may be necessary, set out in paragraphs 6 through 8; and (iii) the Party shall only exempt both public authorities and officials from liability to appropriate remedial measures where such actions are taken or intended in good faith. Article 1718(11) also appears to limit such actions to those situations where the competent authorities “have acquired prima facie evidence that an intellectual property right is being infringed.”⁴²⁷ In sum, Article 1718(11) requires the competent authorities to base any sua sponte detention on prima facie evidence of infringement and grants them the power to obtain information from the right holder. Furthermore, the Article requires the competent authority to give notice to the interested Parties and to limit detention in accordance with the time limitations applicable to actions instituted by an applicant/right holder. The Article also restricts the Party’s ability to limit the liability of its competent authorities.⁴²⁸

Article 1718(12) places specific qualifications on a Party’s competent authorities’ abili-

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⁴²⁶ See NEFF & SMALLSON, supra note 104, at 149.

⁴²⁷ Article 1718(11) begins as follows: “Where a Party requires its competent authorities to act on their own initiative and to suspend the release of goods in respect of which they have acquired prima facie evidence that an intellectual property right is being infringed: . . . ” NAFTA, supra note 2, art. 1718(11). The three subheadings are included in full in the text above.

⁴²⁸ Id.
ty to destroy or otherwise dispose of infringing goods.\textsuperscript{429} Any authority to destroy or otherwise dispose of infringing goods not only must not prejudice the right holder's other rights of action, but is also subject to the defendant's right to seek judicial review.\textsuperscript{430} Compliance with Article 1715(5), as required by Article 1718(12), reinforces the emphasis on avoiding further injuries to the right holder.\textsuperscript{431} The same provision requires disposition of the infringing goods to be proportionate to the seriousness of the injury as well as directing that simple removal of a counterfeit trademark is generally insufficient.\textsuperscript{432}

d. Changes.

Although both the United States and Canada have well-established border enforcement procedures, Mexico's enforcement procedures are historically inadequate.\textsuperscript{433} Nevertheless, NAFTA's border provisions required Canada to make several changes in its customs laws. Previously, Canadian courts held that "there had to be a 'final determination' on the merits at trial against an infringer before a court would grant an order requiring Canadian customs officials to prevent importation of infringing goods:"

\textsuperscript{434} Under the new Canadian trademark provisions, customs officials are arguably "empowered to detain goods in an \textit{in rem} fashion, that is, without knowledge of the infringer's identity."\textsuperscript{435} Since Mexico had three years to comply with Article 1718's requirements, the critical date for the border enforcement provisions was January 1, 1997.\textsuperscript{436}

B. CHAPTER 20: NAFTA'S GENERAL ENFORCEMENT PROVISIONS.

Pursuant to Annex 2004, protection of intellectual property rights under NAFTA includes recourse to the general dispute resolution provisions included in Chapter 20.\textsuperscript{437} Discussion of NAFTA's general dispute resolutions will be brief for the following reasons. First, in almost every instance, a party must first exhaust all domestic dispute resolution alternatives before recourse can, or will, be made to the general dispute resolution provi-

\begin{itemize}
  \item \textsuperscript{429} Article 1718(12) provides as follows: Without prejudice to other rights of action open to the right holder and subject to the defendant's right to seek judicial review, each Party shall provide that its competent authorities shall have the authority to order the destruction or disposal of infringing goods in accordance with the principles set out in Article 1715(5). In regard to counterfeit goods, the authorities shall not allow re-exportation of the infringing goods in an unaltered state or subject them to a different customs procedure, other than in exceptional circumstances.\textsuperscript{Id.} art. 1718(12).
  \item \textsuperscript{430} Id.
  \item \textsuperscript{431} Id.
  \item \textsuperscript{432} Id.
  \item \textsuperscript{433} See Neff & Smallson, supra note 104, at 148.
  \item \textsuperscript{434} See Evans, supra note 281.
  \item \textsuperscript{435} Id.
  \item \textsuperscript{436} Article 1718(14) specifically incorporates Annex 1718.14 and applies it to the "Parties specified in that Annex." NAFTA, supra note 2, art. 1718(14). Annex 1718.14 relates to "Enforcement of Intellectual Property Rights" and provides that: "Mexico shall make every effort to comply with the requirements of Article 1718 as soon as possible and shall do so no later than three years after the date of signature of this Agreement." Id.
  \item \textsuperscript{437} See supra note 10; see also Appleton, supra note 14, at 145-55.
\end{itemize}
sions. The previous sections on the substantive laws relating to intellectual property rights and the enforcement provisions included in Chapter 17 are therefore much more relevant to the practical protection of intellectual property rights under NAFTA. Second, NAFTA's dispute resolution provisions are substantially similar to those included in the CFTA. The fact that very few cases have made it to the panel level under the CFTA has two important ramifications. It indicates that enforcement of NAFTA will be conducted primarily by lower level judicial or administrative authorities, and its sampling is too small to be statistically significant for predictive purposes. Third, the panel process has barely begun to operate. Finally, since NAFTA does not provide individual access to the general dispute resolution process, the Parties must convince their government to institute the general dispute resolution provisions on their behalf.

In Chapter 20, NAFTA establishes two institutions for the joint administration of the Agreement. First, the Free Trade Commission's duties include resolution of "disputes that may arise regarding [NAFTA's] interpretation or application." The second institution is the Secretariat, which functions as an administrative body providing administrative assistance to the Free Trade Commission, NAFTA dispute resolution panels, and panels and committees established under Chapter 19 (relating to Antidumping and Countervailing Duty Matters). Except for matters arising under Chapter 19 and other issues specifically excluded (none of which concern intellectual property rights), the dispute resolution provisions of Chapter 20 apply "regarding the interpretation or application of [NAFTA] or wherever a Party considers that an actual or proposed measure of another Party is or would be inconsistent with the obligations of [NAFTA] or cause nullification or impairment in the sense of Annex 2004." It is important to note that both actual and proposed measures are covered by Chapter 20.

Chapter 20 contemplates three stages of dispute resolution, each stage handling increasingly fewer cases. The three stages are consultations, review by the Commission, and referral to an arbitral panel. Any disputes arising under both GATT and NAFTA may be resolved through either process. NAFTA's primary focus regarding dispute resolution is

439. NAFTA, supra note 2, art. 2001 (establishing the Free Trade Commission). In short, the Commission is made up of cabinet level representatives of the Parties. Id. art. 2001(1). The Commission supervises NAFTA's implementation, elaboration, dispute resolution, committee work and any other matters that affect NAFTA's operation. Id. art. 2001(2). The Commission may establish ad hoc or standing committees, seek non-governmental organizations (otherwise known as NGOs) and take other actions amenable to the Parties. Id. art. 2001(3). The Commission establishes its own rules and all decisions are made by consensus (unless otherwise agreed). Id. art. 2001(4). The Commission meets at least once a year and such sessions are chaired successively by each Party. Id. art. 2001(5).
440. The Commission both establishes and oversees the Secretariat. Id. art. 2002(1). The Selected duties of the Parties are included in Article 2002(2). Article 2002(3) deals with the Secretariat's duties, which include providing assistance to the Commission, providing administrative assistance to NAFTA dispute panels and panels and committees established under Chapter 19.
441. Id. art. 2004; see also supra note 11.
443. NAFTA, supra note 2, art. 2005. Article 2005 includes specific procedures that must be followed to institute a proceeding involving a dispute under NAFTA that will be resolved pursuant to GATT procedures. Id.
on the consultation process incorporated in Article 2006. If consultations fail, then the Parties may request a meeting of the Commission. Finally, if the Commission's intervention has failed to resolve the dispute within thirty days, any consulting party may request the establishment of an arbitral panel. After the dispute resolution process has had time to develop, critical analysis of that process will be more productive.

IV. How Effective Is NAFTA's Protection of Intellectual Property Rights?

NAFTA's intellectual property provisions clearly have the potential for catapulting intellectual property protection beyond any current binational or multilateral treaty. Those same provisions, however, contain corrosive elements that may seriously undermine NAFTA's effectiveness. The three primary problems with Chapter 17 are as follows. First, the text is riddled with ambiguous terms. Second, the exceptions to the general rules threaten to swallow them. A major example is the Cultural Industries Exception granting Canada the right to protect selected industries. This exception is not only ambiguously written, but it also

444. Requests for consultations must be in writing, but may concern actual or proposed measures that directly or indirectly affect NAFTA's operation. Id. art. 2006(1). Copies of the request must be sent to the Secretariat and to the other Parties. Id. art. 2006(2). Third Parties with a substantial interest in the matter are entitled to participate in the consultations after delivery of written notice both to the other Parties and to the Secretariat. Id. art. 2006(3). Consultations are to begin within 15 days after the delivery of the request for consultations. Id. art. 2006(4). To promote resolution of all matters involving a consultation, the Parties are required to: (1) provide sufficient information to enable full examination of how the matter might affect NAFTA; (2) treat any confidential information or proprietary information as such; and (3) seek to avoid any resolution adverse to the interests sought by NAFTA. Id. art. 2006(5).

445. A Party may make a written request for a meeting of the Commission if the dispute is not resolved within 30 days of the request for consultation, within 45 days if the other Party has subsequently requested or participated in consultations on the same matter or 15 days if the dispute involves perishable agricultural goods. Id. art. 2007(1). The Commission may participate in the form of good offices, conciliation, mediation or other dispute resolution procedures. Article 2007(5). The Commission may also seek advice from technical advisors or create working groups to seek an amicable resolution. Id.

446. Id. art. 2008(1). NAFTA arbitral panels operate similar to panel dispute settlement under GATT. See Paul, Hastings, supra note 104, at 101. Such panels consist of five (5) panelists chosen from a roster of experts in the fields of law, trade or other matters covered under the agreement. NAFTA, supra note 2, arts. 2009, 2010. The panel is chosen through a reverse selection process whereby the chair is chosen first. Each side then selects two additional panelists. Id. art. 2011. The Commission will establish a Model Rules of Procedure according to the guidelines included in Article 2012 guaranteeing the right to at least one hearing and the right to submit initial and rebuttal written submissions. Article 2013 regulates participation of third parties. The arbitral panels system, however, is not unblemished. Recently, a Canadian public official blasted the panel process under CFTA and NAFTA as being flawed. According to Senator Max S. Baucus (D-Mont), the "appearance of conflicts of interests on Canada's part...[putting] members on panels who are too nationalistic and who are not going to apply the law" must be corrected. See International Trade: Baucus Blasts Current Panel System; Urges Caution in Moving to Broader FTA, Daily Rep. for Exec. (BNA), 1994 DER 176 d11 (Sept. 14, 1994).

remains unchecked. Finally, the enforcement problems in Mexico are so pervasive that even a
good faith effort may prove insufficient.\textsuperscript{448} Although the situation may improve in the long
run, Mexico's history of corruption, combined with a widespread lack of understanding of
intellectual property among the general population, make short run enforcement efforts
appear like merely a drop in a bucket. Awareness of the problems, however, should make
maneuvering through the intellectual property provisions more manageable.

A. Ambiguous Terms are Ripe for Debate.

The most pervasive problem with Chapter 17 is its failure to define key terms. Every
ambiguous term creates room for argument and debate.\textsuperscript{449} The more valuable intellectual
property rights become in the future, the greater the incentive will be for parties on both
sides of the table to manipulate the text. Since the outcome of the disputes determines who
wins and who loses in a high-stakes game, disputes over the meaning and application of
these terms and phrases will inevitably result in litigation in one forum or another. The
cases involving oil and gas leases over the past few decades are instructive on this issue.
Millions of dollars turned on a few, relatively simple words. Given the magnitude of the
benefit to be gained, parties on both sides fought vigorously, splitting hairs over commas.
Similarly, intellectual property rights are valuable assets. Just like the oil and gas leases,
intellectual property rights represent a risk whose value could range from nothing to mil-
lions. Since the incentives to manipulate the language are very strong, NAFTA's failure to
provide clear, objective guidelines severely undermines its effectiveness.

The foregoing analysis of the text has consistently focused on terms, phrases, and
ambiguities as potential points of contention. Recourse to NAFTA as a source of intellectu-
al property protection requires the practitioner to be aware of these issues and, wherever
possible, to steer clear of the problems they raise through careful contracting, diligent reg-
istration efforts, and simple awareness of the risks.

B. Exceptions Threaten to Swallow the Rule.

The problematic exceptions need not be rehashed here. When relying on any of the
general rules, the careful practitioner will be aware of these exceptions and research how
these sections are interpreted by the courts over the next few years. The one exception
remaining to be discussed is the Cultural Industries Exception. While this exception also
threatens to swallow the rules, it also exemplifies the counter balance pressuring the Parties
to bolster the rule with enforcement.

NAFTA incorporated the "exemptions for Canadian cultural industries" contained in
the United States-Canada Free Trade Agreement (CFTA).\textsuperscript{450} The Cultural Industries
Exception "reserves for Canada the right to take whatever measures it deems to be within its
national interest with regard to cultural materials such as motion pictures, records and
books."\textsuperscript{451} Given the fact that a similar cultural exemption was never exercised by Canada

\textsuperscript{448} See Lehman, supra note 171.
\textsuperscript{449} See Ewell E. Murphy, Jr., Esq. Exporting Goods and Services Under NAFTA, 4 Mex. Trade L. Rep.
19 (Oct. 1, 1994).
\textsuperscript{450} See supra note 12; Potential Impact, supra note 24.
\textsuperscript{451} NAFTA's IP Provisions Praised, No. 4, 10 J. Proprietary Rts. 30 (1992) [hereinafter NAFTA
Praised]; see also supra note 12.
under the CFTA, the risks created by this exemption must not be overestimated. NAFTA also permits the United States and Mexico to "take compensatory action" if Canada either imposes quotas on intellectual property or excludes U.S. or Mexican intellectual property protection. Any such compensatory action must have an "equivalent commercial effect." U.S. Trade Representative investigation of Canadian trade practices under section 301 of the 1974 Trade Act exemplifies one type of permissible compensatory action. The risk of retaliatory action should prevent Canada from denying either the minimum protection of intellectual property rights required by Chapter 17 or national treatment of intellectual property rights that could fall within the Cultural Industries Exception.

Though the potential for abuse of the exception exists for each of the exceptions embodied in NAFTA, political pressures and principals of reciprocity should prevent the exceptions from making NAFTA a futile exercise.

C. COMPLICATIONS IN ENFORCEMENT.

The most commonly discussed problem with enforcement is Mexico's history of inconsistent and corrupt enforcement. The earlier discussion emphasized the importance of enforcement for intellectual property protection, as the "value of comprehensive intellectual property provisions of NAFTA to U.S. businesses will be determined by the degree to which the intellectual property laws the agreement requires are enforced." Since Mexico was not required to comply with all of NAFTA's enforcement procedures before January 1, 1997 (less than two years ago) and NAFTA's full impact remains to be felt, the focus of the following discussion will be on complications inherent both in intellectual property rights and in managing enforcement in Mexico, a large country with a limited budget.

Even in the best of circumstances, the nature of intellectual property rights complicates their enforcement. Intellectual property rights are generally more ephemeral than other, tangible, property rights. Although some may debate what specific qualities make an ideal chair, people everywhere generally recognize a chair when they see it. The same cannot be said for intellectual property rights. For example, copyright protection covers the author's specific word choice formed into sentences, paragraphs, and pages. The protection extends beyond the pages that the words are written on. At the same time, however, the copyright protection does not extend to protection of the idea. In fact, in the United States (and elsewhere) the protection does not even give the author exclusive ownership of the particular combination. The right only extends to protection against others taking the author's words and using them as their own, not to the same words when they are independently created.

453. Id. See also NAFTA Praised, supra note 451 (stating that "the NAFTA agreement also provides for compensatory action in the event of such 'overreaching' by Canada").
454. Del Valle, supra note 65, at 10.
455. Id.
456. Such industries could include film, video, music, publishing, cable transmissions and broadcasting. See supra note 12. See also Martin, supra note 80.
458. Id; see also supra at Introduction.
The illusive nature of intellectual property rights makes their transplantation to other cultures all the more difficult. The discontinuity between certain Western European countries and the United States relating to the underlying purpose preserving intellectual property rights provides a point of reference. The United States and France are both developed, western countries, yet their rationales for protecting intellectual property rights are distinctly different. The United States protects an author’s rights as a way to encourage the author to create, in order to move society forward and to improve the U.S. economy. In sharp contrast, the French protect an author's right because the creation belongs to the creator, the writing is part of the writer. To the French, it is a moral, not economic, right to own and control one’s own creation. Nevertheless, both countries recognize a common idea of what is, or is not, a protectable copyright or a trademark.

The task of coordinating protection of intellectual property rights among two countries that recognize what is being protected is sufficiently difficult without other complicating factors. The task is ever more complex when the people and cultures of the two countries do not mutually recognize or have a common understanding of what is being protected. When a society, as part of its culture, has little experience with intellectual property as a protected right, the people within the society do not recognize the right when they see it. It takes time for individuals in a society to learn to distinguish what is protected from what is not. Mexico's history of intellectual property protection is short-lived and inconsistent, whereas U.S. history of intellectual property protection stems back to its very roots. As much as the Mexican Government may strive to protect intellectual property rights, it cannot avoid the difficulties of educating its people.

The other complication – rarely discussed – is the discontinuity between Mexican goals and its ability to achieve them. Even a good faith effort on the part of the Mexican Government may fail to provide adequate protection, especially in the short run. The Mexican Government is currently battling with an economy on the brink of collapse. It simply does not have resources at its disposal even remotely comparable to either the United States or Canada. Therefore, an intellectual property right holder's expectations should take into account Mexico's current enforcement limitations.

Mexico recognizes the need to address the cultural problems as well as the enforcement issues. The Mexican Institute of Industrial Property, which replaced the Mexican Patent and Trademark Office, has the dual responsibility for coordination of the protection and enforcement of intellectual property rights and for education of the Mexican public. Additionally, an unheralded process is currently "under way involving lawyers from all three NAFTA nations." This group pursues ways to harmonize these divergent legal systems so that commerce can occur without unnecessary misunderstandings. The harmonization efforts include resolution of problems stemming from the nature of these different systems – from the differences between civil and common law countries. Efforts such as these may significantly speed up the transition process and empower the member countries to overcome not only the enforcement problems, but also the cultural clashes.

461. Id.
462. Id.
VI. Conclusion.

The foregoing analysis brings us full circle to the original proposition: the extent to which NAFTA actually represents a major step forward for intellectual property right protection depends on the Parties’ enforcement of those rights articulated in Chapter 17. The preceding proposition can now be refined as follows. Chapter 17 contains a series of provisions that could be interpreted as protecting intellectual property rights more than any other bilateral or international agreement. Those same provisions, however, are sufficiently broad and contain enough ambiguities to enable any Party to avoid increasing intellectual property right protection while still complying with all of NAFTA’s substantive and procedural requirements. Neither extreme is likely to occur. The more likely outcome is that NAFTA will increase intellectual property protection – but only to the extent that the Parties choose to do so. Additional protection of intellectual property “pursuant to NAFTA” is in actuality protection that the Parties would have extended even absent NAFTA.

Even though the Parties would have eventually protected intellectual property rights without its impetus, NAFTA provides a focal point for multinational cooperation and establishes a common model for the Parties to emulate. NAFTA will not catapult international protection of intellectual property rights into a new era; however, it does represent one more step in the evolution toward securing international protection of intellectual property rights.