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The USMCA Treaty: What Changes Lie Ahead for U.S. Trademark Law?

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The 1994 North American Free Trade Agreement (NAFTA), long in need of reform according to some, is receiving an overhaul. The current administration, Mexico, and Canada have negotiated a new trilateral agreement. Hailed as a "21st Century, high standard new agreement to support mutually beneficial trade leading to freer, fairer markets, and to robust economic growth in the region," the new pact is entitled the "United States-Mexico-Canada Agreement" (the USMCA or the Trade Agreement). Leaders of all three signatory countries, President Trump, Mexican President Nieto, and Canadian Prime Minister Trudeau, signed the Trade Agreement on November 30, 2018.

Effectively NAFTA 2.0, the new pact includes some key updates, including to the treaty's intellectual property (IP) provisions. Among other things, these provisions address the member countries' trademark and domain name laws.

Generally speaking, USMCA's trademark provisions aim to enhance protection for rights holders.

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The USMCA has received generally favorable reviews. Specifically, the Industry Trade Advisory Committee on Intellectual Property Rights (ITAC-13) concluded that the USMCA furthers U.S. economic interests.

ITAC's report provides a useful perspective on key IP provisions of the Trade Agreement and the agreement's potential impact on U.S. trade. Although the United States, Mexico, and Canada have wrapped up talks on the new agreement, it has not yet been ratified or signed.

Key trademark and domain name provisions of the USMCA include:

Type of Marks Registrable (Article 20.C.1)

The agreement embraces certain intangibles, namely, sound and scent. It states that the parties shall not reject marks for registration if they are sounds in Article 20.C.1. This clause is in line with U.S. trademark registration practice. The U.S. Patent and Trademark Office (USPTO) has long issued registrations for sound marks when appropriate. Examples of such registrations include Metro-Goldwyn-Mayer Lion Corp.'s famous roaring lion sound[1] and Intel Corporation's five-tone progression.[2]

Article 20.C.1 further encourages, but does not mandate the registrability of scent marks, stating only that the parties "shall make best efforts" to register such marks. The USMCA offers no explanation for treating sound and scent marks differently and indeed, the USPTO generally does not do so; it issues registrations also for trademarks distinguishing source by scent.[3] Indeed, the ITAC Report states that it would be preferable if the Trade Agreement did require protection of scent marks.

The member countries do accord protection now for sound marks, and Mexico, also, for scents. The Canadian Intellectual Property Office (CIPO) started accepting applications for registration of sound trademarks as of March 28, 2012. Under the newly-enacted Mexican Industrial Property Law, non-visible signs such as smell marks and sound marks, as well as certain animated marks such as holograms, are protected. This decree has been in force since August 10, 2018.

Use of Identical or Similar Marks (Article 20.C.3)

Article 20.C.3 of the USMCA, using essentially the same language as in the United States-Korea Free Trade Agreement (KORUS FTA), states that a trademark owner has the exclusive right to prevent third parties from using the same or similar marks for goods or services that would result in a likelihood of confusion. This mirrors a bedrock principle of U.S. trademark law, i.e., a junior user may not lawfully adopt a mark likely to cause public confusion as to source or sponsorship with the senior user's trademark.

The same article, however, also states that "[i]n the case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed." This language potentially affords trademark owners broader protection than does U.S. trademark law. As one noted authority observes: "The degree of similarity of the marks needed to prove likely confusion will vary with the difference in the goods and services of the parties. Where the goods and services are directly competitive, the degree of similarity required to prove a likelihood of confusion is less than in the case of dissimilar products."[4]

The same authority notes, however, that U.S. law has not adopted the literal standard of presuming confusion where the parties' marks and goods are the same, and the courts still employ a multi-factor test, although in practice, these factors loom large in a likelihood of confusion analysis and a likelihood of confusion is frequently found in such instances.[5] Interestingly, the ITAC Report nevertheless endorses the principle that identical marks, for use on similar goods or services, should be presumed confusingly similar.

Notably, in the United States, two famous marks can coexist, including on the USPTO Register, for markedly different goods. A case in point is the mark DELTA, owned and used by two distinct companies for distinct products and services, namely, faucets and airline transport services.

Well-Known Marks (Article 20.C.5)

The USMCA includes particular measures to protect "well-known" trademarks, mandating that: a mark need not be registered to be recognized as "well-known"; that the reputation of the mark need not extend beyond the niche sector of the public normally dealing with the goods or services with which the mark is used for that mark to be "well-known"; and that the Paris Convention, Article 6bis should apply (this article accords special protection to well-known marks, even against third-party use on goods and services not identical to a trademark owner's goods or services). The ITAC applauds this heightened protection for well-known marks in view of their frequent infringement.

Classification System for Marks (20.C.8)

Article 20.C.8 mandates that member countries employ a trademark classification system consistent with the Nice Agreement, which requires use of a numerical system categorizing goods and services by type. While not a definitive means of indicating likelihood of confusion (the relevant article states that goods or services may not be considered similar simply because they are in the same class), the classification system provides a meaningful way to organize and characterize goods and services that are the subject of member states' applications and registrations.

This is not an issue for the United States and Mexico, both of which already use the Nice System, with Mexico mandating use of the system in August of this year. Although Canada does not strictly adhere to the Nice System, it recommends that applicants use the system. Use of the Nice classification system is slated to be a requirement in Canada next year, on or around June 17, 2019.

Domain Names Article (20.C.11)

Key provisions of the USMCA's domain name article include the following:

- The USMCA pertains only to the member parties' country-code top level domain names, i.e., the portion of domain names to the right of the "dot" that symbolize the countries, ".us", ".ca", and ".mx." For this reason alone, the USMCA domain name provisions are limiting, as many of the countries' nationals might choose to register domain names using such popular top level domain names such as ".com", "org", and "biz"—all of which would be outside the reach of the USMCA.

- The USMCA requires the parties to adopt a domain name dispute resolution system for their own country-code top level domains modelled along the same lines as ICANN's Uniform Domain Name Dispute Resolution Policy (UDRP) or a system that is "fair and equitable" (without specifying particular procedures).

- In addition, the USMCA states that "appropriate remedies" should be available at least where a registrant holds "with a bad faith intent to profit," a domain name identical or confusingly similar to a trademark.

Although the Trade Agreement's recommendation that member countries adopt the UDRP is a positive measure, the domain name article suffers from certain flaws. First, member countries can substitute, for the UDRP, a vague "fair and equitable" system for adjudicating country-code disputes. More importantly, as the ITAC Report emphasizes, the domain name article evidently requires that trademark owners prove a bad faith intent to profit by the cybersquatter to prevail. This is a stricter standard than required under the UDRP, which only mandates that the cybersquatter register and use the domain name in bad faith—*whether or not* it intends to "profit" from that use.

Conversely, the domain name article does not contemplate rulings in favor of domain name registrants if they can show legitimate rights or interests in a domain name, as does the UDRP. In short, the domain name article does not presently mirror the UDRP but should be revised to do so.

Geographical Indications (GIs) (Article 20 Section E)

GIs, protected widely in Europe, are designations used on products with a specific geographical origin that have characteristics attributable to that origin. Examples include "Idaho" for potatoes produced in Idaho, "Parma Ham" for prosciutto manufactured in the Parma region of Italy according to certain Italian laws, and "Roquefort" for a kind of cheese sourced from the Roquefort caves in France.

Notably, U.S. law protects geographic marks more narrowly than do the laws of many other countries; these designations are only protected and registered under U.S. law if they serve as "certification marks," certifying the geographic origins of a third party's products, or collective membership marks (owned by an organization and used by members to identify themselves with a certain geographic origin), or geographic trademarks. Thus, for example, while IDAHO®, PARMA HAM®, and ROQUEFORT® cheese are registered in the United States, they are registered as "certification marks" under U.S. trademark law.

The United States' concern with broad protection for GIs is, at least in part, economic. The worry is that U.S. goods bearing a generic geographical name—not protected in this country, but recognized as a GI abroad—would be barred from exportation under that generic geographical name. The USMCA offers some, albeit incomplete, measures to address these concerns:

- Whatever procedures the USMCA parties use, the USMCA requires them to include means to challenge applications for GI protection and cancel the GI protection, including, pursuant to Article 20.E.3(c), allowing challenges on the basis that the geographical indication is a term "customary in common language as the common name" for the goods in the party's territory.

- In addition, under the USMCA, a trademark owner could successfully challenge the establishment of a new GI if it would cause confusion with a pre-existing trademark right.

- The pact also helpfully includes guidelines for determining when a term is "customary in the common language."[6]

Although ITAC generally praises the extensive GI section for its "transparency," and measures to "mitigate against the inappropriate future registration of unwarranted GIs," it also laments that the USMCA "regrettably does not fully preserve US market access opportunities" and cautions that work needs to be done to preserve access to markets abroad.

The ITAC Report advises monitoring to ensure that GIs reflecting generic terms are not registered, citing Mexico's practice this year of registering several European Union GIs, although such terms were clearly in common usage in Mexico.

For their part, both Mexico and Canada have moved or are moving to a system of protecting GIs that reflects the European Union's system, and is more expansive than the US certification and collective mark system. Specifically, Mexico previously recognized GI protection on a *sui generis* basis, and now, pursuant to the EU-Mexico Trade Agreement that became effective early in 2018, additionally recognizes GIs equivalent to how they are recognized in Europe. Canada has negotiated the EU-Canada Comprehensive Economic and Trade Agreement with the EU, although it has not yet been implemented. Under this agreement, too, Canada anticipates affecting a procedure for establishing GIs akin to the EU procedure.

What's Next?

Although the USMCA has been fully executed, it is not law. Congress is not slated to consider the treaty until 2019, when a Democratic House, perhaps not eager to give the president a win, may refuse to ratify it.

Notes

1. U.S. Registration No. 1,395,550.
2. U.S. Registration No. 2,315,261.
3. *See, e.g.*, U.S. Registration Nos. 4,618,936 (registration for flowery musk scent for retail store services held by Verizon Wireless).
4. 4 McCarthy on Trademarks and Unfair Competition, §23.20.50 (5th ed. September 2018).
5. *Id.*
6. *See* Article 20:E.4.