
**FREE TRADE AREA OF THE AMERICAS
DRAFT AGREEMENT**

CHAPTER ON INTELLECTUAL PROPERTY RIGHTS

**Comments Prepared by the
FTAA Subcommittee**

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INTRODUCTION

The FTAA Subcommittee of the International Trademark Association (INTA) is pleased to respond to the USTR request, 67 Fed. Reg. 249 (December 27, 2002), for written comments on the second Free Trade Area of the Americas (FTAA) Draft Agreement (the "Draft").

INTA is a 125-year-old not-for-profit worldwide membership organization comprising more than 4,300 trademark owners and advisors from 160 countries, including 33 of the 34 FTAA participating countries. Our membership crosses all industry lines and includes manufacturers, retailers, and other service and legal organizations. We are dedicated to the support of trademark harmonization and consumer protection and to the encouragement of free and fair competition.

We believe that the protection of intellectual property generally and trademarks in particular benefits the economic development of all nations and is, therefore, in every nation's best interest. Accordingly, INTA has monitored and commented on the intellectual property aspects of the FTAA since 1996 through its FTAA Subcommittee. INTA submitted six proposals for consideration by the Negotiating Group on Intellectual Property on February 4, 2000, before the release of the first consolidated text. After public release of the first Draft text, INTA responded on August 20, 2001, to the USTR request for written comments, 66 Fed. Reg. 134 (July 12, 2001). Our first comments reflected positions taken after lengthy and detailed consideration of the widely varying viewpoints and diversity of the INTA membership, as well as preexisting and well-established INTA positions. These comments were submitted also for inclusion in the materials distributed at the Seventh Meeting of Ministers of Trade of the Hemisphere in Quito, Ecuador, on November 1, 2002. A copy of our first comments and its appendices is attached hereto as Appendix A.

INTA has reviewed with great interest the second Draft of the FTAA Chapter on Intellectual Property Rights ("Chapter"). We are most grateful for the opportunity to offer INTA's comments at this decisive stage of the negotiations. Our comments are limited to those aspects of the FTAA Chapter on Intellectual Property Rights relevant to INTA's membership of trademark owners and advisors worldwide and reflect the views of our membership; we express no views on other aspects of the Chapter. The comments below follow the structure of the new Draft Chapter.

COMMENTS
CHAPTER ON INTELLECTUAL PROPERTY RIGHTS

PART I. GENERAL PROVISIONS AND BASIC PRINCIPLES
(pages 9.3-9.7)

A. Article 4. Exhaustion of Rights
(Pages 9.3, 9.8, 9.9)

The general principle of regional exhaustion of intellectual property rights is set out in Article 4 of the first Part of the Chapter. The principle of regional exhaustion of trademark rights is set out in Article 4 of the first Section, second Part, of the Chapter. INTA strongly opposes regional exhaustion and urges deletion of both provisions to protect the legitimate rights and interests of trademark owners and consumers. There are good reasons why trademark rights always have been territorial.

The 34 FTAA countries have widely divergent cultures, market conditions, and regulatory requirements. As explained in previous submissions, which we incorporate herein by reference and attach hereto as Appendix A, trademark owners tailor their products and services to accord with the culture, market conditions, and regulatory requirements of each country in which their products and services are sold. We respectfully submit that such tailoring benefits the consumer by allowing consumers to have products and services designed specifically for their cultural, economic, and social environments.

Geographic specificity is critical to trademark owners, an essential element of their right to control the quality, characteristics, and image of goods and services sold under their marks in particular markets. The principle of regional exhaustion would deprive trademark owners of this right. We, therefore, ask that the IPR Negotiating Group follow the example set by TRIPS Article 6 and set aside the exhaustion issue by deleting the "regional exhaustion" provisions discussed above.

B. Article 5. Relation to Other Intellectual Property Agreements [and Joint Recommendations]
(pages 9.3-9.4)

1. Articles 5.2 and 5.2(e). Improvements in the protection of intellectual property rights, specifically including trademark rights, are necessary to promote progress in trade and commerce between the parties. Inclusion of the bracketed, at a minimum," language in Article 5.2 will serve this goal, as will deletion from Article 5.2(e) of the bracketed "Articles 9 to 40 of the" TRIPS Agreement. Inclusion of "at a minimum" establishes a floor for intellectual property protection, which INTA supports. We believe that each provision of TRIPS is a useful element of such protection. INTA, therefore, urges that the entire TRIPS Agreement be incorporated in Article 5.2 and that the limitation to TRIPS Articles 9 to 40 be deleted.

2. Article 5.2(h). For the same reasons, INTA urges the Negotiating Group to require that FTAA Members give effect to all provisions of the Trademark Law Treaty ("TLT") without omission.
3. Article 5.4(b). INTA appreciates FTAA's support of the Madrid Protocol and we urge the Negotiating Group to approve this provision.
4. Article 5.5. INTA urges the deletion of this provision, which states in relevant part "nothing in this Chapter shall be construed to require higher or permit lower levels of protection than the minimum standards established in the TRIPS Agreement." We believe that the TRIPS standards are capable of improvement. Some such improvements appear in the second Draft; others are suggested below.

C. Article 10.2. Exercise of Rights [Abuse of Rights]
(page 9.6)

INTA notes, with some concern, the requirement of this Article that Parties take into consideration for the recognition and enforcement of trademark rights whether the rights are causing the "abuse of dominant position on the market." While strongly supporting free and fair competition and deploring abuse of any kind, we question whether the governmental agencies charged with registration of marks and in some instances with enforcement of rights in marks provide appropriate fora for determining such issues.¹

D. Article 11. Transparency
(page 9.7)

INTA applauds the provisions of this Article, which require parties to publish in writing the laws, regulations, procedures, judicial decisions, and administrative rulings that pertain to the protection and enforcement of intellectual property rights. The transparency resulting from the provisions is important to an enlightened understanding, appreciation, and enforcement of intellectual property laws. We would hope for a construction of the provisions requiring the availability of the required publication to all, or at least to nationals of all FTAA Member States.

PART II. INTELLECTUAL PROPERTY RIGHTS

SECTION 1. TRADEMARKS (pages 9.8-9.11)

A. Article 1. Protectable Subject Matter
(page 9.8)

¹ The United States Patent and Trademark Office, for example, has long been held to lack jurisdiction of antitrust issues. See, e.g., American-International Travel Service, Inc. v. AITS, Inc., 174 U.S.P.Q. 175 (T.T.A.B. 1972); Yasutomo & Co. v. Commercial Ball Pen Co., 184 U.S.P.Q. 60 (T.T.A.B. 1974); Hershey Foods Corp. v. Cerreta, 195 U.S.P.Q. 246 (T.T.A.B. 1977).

1. Article 1.1. INTA appreciates the Ministers' decision to delete the list of acceptable variations of traditional and non-traditional marks that appeared in the first Draft. The list was incomplete and a likely cause of confusion.
2. Article 1.2. The first two proposed variations of this provision are in compliance with TRIPS Article 15A.1, which permits Members to refuse registration of marks that are not visually perceptible. We strongly support the registrability of marks that are not visually perceptible, including without limitation sound marks and three-dimensional marks as long as they are capable of being described by written notation, diagram or other visual means. INTA encourages the Negotiating Group to improve on the provisions of TRIPS by adopting the third variation of 1.2, which bars Parties from requiring visual perceptibility as a condition of registration.
3. Article 1.3. INTA supports recognition and protection of service marks, including retail service marks, collective marks, and certification marks.

B. Article 2. Principles
(Page 9.8)

INTA opposes Article 2.1, which would require all Member States to adopt the principle that rights in a mark belong exclusively to the first person to file an application for its registration in that State. The Article is contrary to the laws of many potential Member States, including without limitation Argentina, Brazil, Canada, Colombia, Mexico, Peru, and the United States, all of which recognize to varying degrees rights in unregistered marks. Of particular concern, the Article would bar recognition of and enforcement of rights in well-known marks not registered in a Member State.

Since the “first to file” principle in the Article is without either limitation or exception, it would be subject to abuse and likely to impede the development of trade between Member States. For example, a manufacturer in one State contemplating possible distribution of its products in another State would have to choose between incurring the expense of registration before entering into even the most preliminary discussion of a distribution agreement or incurring the risk of having its mark appropriated and held to ransom by an unscrupulous potential distributor against whom the manufacturer would have no recourse. These difficulties might persuade smaller businesses in particular to forgo expansion beyond their national borders.

C. Article 4. Exhaustion of Rights
(pages 9.8-9.9)

We reiterate here INTA's strong opposition to any provision requiring adoption of the principle of regional or international exhaustion, for the reasons set out at pp. 1 and 2 above. Each version of Article 4.1 in the second Draft would affect adversely the rights of trademark owners and consumers.

D. Article 5. Rights Conferred
(page 9.9)

This provision, consisting only of Article 5.1, raises a number of issues, each of which is discussed separately below.

1. "Registered Trademark" The rights conferred by this Article are conferred only on registered trademarks. The Article by its terms does not apply to unregistered marks, even if the unregistered marks are well known. In keeping with our view that well-known marks need not be registered to merit protection, INTA supports extension of the Article to well-known marks. We support also inclusion of the last sentence of the Article, which permits Parties to make rights available on the basis of use.

2. "Related" Goods. INTA supports the right of trademark owners to prevent third parties from using identical or similar signs on related, rather than identical or similar, goods where such use would result in a likelihood of confusion. We, therefore, urge the Negotiating Group to select the "related goods" option rather than the "identical or similar goods" option. Doing so would enhance the rights granted under TRIPS, an enhancement highly desirable for several reasons.

The "related goods" option embodies the test for trademark infringement used by many modern courts and reflects the commercial realities of the modern marketplace, in which "line extension" has become an everyday occurrence. For example, we submit that if the owner of a mark for olive oil can show that olive oil is related to vinegar and that sellers of olive oil often sell vinegar as well, he might reasonably be permitted to prevent unauthorized use of his mark on vinegar even if he has not yet extended his line to vinegar.

3. Geographical Indications. Another improvement proposed in the first paragraph of the Article is to give the owner of a registered trademark the right to prevent others from using identical or similar marks including geographical indications. Absent the inclusion of geographical indications, a trademark owner would have no recourse against a pirate using a registered trademark, or a substantial part of a registered mark, under the guise of merely using a geographically descriptive term.

4. Presumption of Confusion. The first sentence of the second paragraph of this Article offers three options for a presumption of likely confusion due to use of an identical sign. INTA supports the third option, a presumption of likely confusion when an identical sign is used for "related" goods or services. This option expands the presumption of likelihood of confusion provision in TRIPS. We submit that the expansion is warranted. The infinite universe of available marks makes it wholly unnecessary for anyone to adopt a mark identical to that already registered by another. If the newcomer adopts a mark already registered by another for related goods, it is reasonable to presume that he intends to trade on the good will inherent in the registered mark.

5. Summary. INTA strongly supports the following language for Article 5.1:

The owner of a registered trademark shall have the exclusive right to prevent all persons not having the owner's consent from using in the course of trade identical or similar signs, including geographical indications, for goods or services that are related 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 related goods or services, a likelihood of confusion shall be presumed.

The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Parties making rights available on the basis of use.

6. Enumerated Rights. The "enumerated rights" provisions of the third paragraph of the first FTAA Draft have been deleted; there is nothing similar in the second Draft. INTA recommends that an additional Article 5.2 be added, as follows.

Without limiting any rights otherwise available, the owner of a registered trademark or a well-known mark shall be entitled to take action against third parties performing any of the following acts without the owner's consent:

- a) Apply, attach or in any way affix a distinctive sign that is identical or similar to the registered mark or the well-known mark, to products in respect of which the mark has been registered or to related products, or on the containers, wrappings, packaging or presentations of such products, or on those products that have been produced, modified or treated using services in respect of which the trademark has been registered or related services;
- b) Suppress or alter the registered mark or the well-known mark that its owner, or a person authorized thereby, may have applied, affixed or attached to the products defined in the previous subparagraph;
- c) Manufacture labels, containers, wrappings, packaging or other analogous items, which reproduce or contain a reproduction of the registered trademark, the well-known mark, or a similar mark; or market such items, or unlawfully hold such items in stock;
- d) Refill or reuse for commercial purposes, containers, wrappings or packaging bearing the registered mark, the well-known mark, or a similar mark;

e) Make commercial use of a sign that is identical or similar to the registered trademark or the well-known mark in circumstances where such use might mislead the public or cause confusion, or might cause the owner of the trademark unfair economic or commercial injury, by diluting the distinctive force or commercial value of the mark, or dilution by taking unfair advantage of its good name or distinctive force.

7. Conclusion. With the foregoing modifications, INTA supports the Rights Conferred in Article 5 of the second Draft.

E. Article 6. Well-Known Marks
(page 9.9)

1. General Comments. INTA recommends that the proposed language on Well-Known Marks in Article 6 be replaced with that of the Joint Resolution Concerning Provisions on the Protection of Well-Known Marks ("Joint Resolution") as endorsed by the Assembly of the Paris Union and the General Assembly of the World Intellectual Property Organization ("WIPO") in September 1999.

2. Determination of Well-Known Marks. We specifically recommend that the FTAA Agreement include a statement that whether a mark is or is not well known must depend on the particular circumstances of each case. While factors may be developed and set forth to provide guidelines for such a determination, these criteria should be nonexclusive guidelines only. Decision makers should be free to consider any evidence relevant to the question whether a given mark is well known, which may vary widely from case to case.

3. Recommended Provisions. INTA supports adoption of the guidelines in the WIPO Joint Resolution for determining whether a mark is well known. These guidelines are set out below.

- a) the degree of knowledge or recognition of the mark in the relevant sector of the public;
- b) the duration, extent and geographical area of any use of the mark;
- c) the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;
- d) the duration and geographical area of any registrations and/or any applications for registration of the mark, to the extent that they reflect use or recognition of the mark;
- e) the record of successful enforcement of rights in the mark, in

particular, the extent to which the mark was recognized as well known by competent authorities; and

- f) the value associated with the mark.

These guidelines extend the evaluation of whether a mark is or is not well known beyond relevant sectors and beyond the scope of promotion and advertising of the mark. They recognize the importance of continued use and enforcement of a mark in the global marketplace and reward aggressive actions taken by well-known mark owners to increase awareness of their ownership of the marks on an international basis, even if the marks are not immediately known to the "relevant sector" within a particular geographic region.

3. Well-Known Marks Need Not Be Registered. One of the options for Article 6.4 would require a well-known mark to be registered; the other option, which INTA supports, would not require a to be registered. We note that the first option does not specify whether a mark must be registered in the State in which protection or enforcement is sought to be deemed well known, or whether registration in another State or States would suffice. This ambiguity would cause confusion.

There will be no confusion if the FTAA states clearly that well-known marks need not be registered. The WIPO Joint Resolution contains language that provides such a statement; INTA urges the Negotiating Group to incorporate this language in the FTAA as set out below.

A Member State shall not require, as a condition for determining whether a mark is a well-known mark:

- (i) that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in or in respect of, the Member State;
- (ii) that the mark is well known in, or that the mark has been registered or than an application for registration of the mark has been filed in or in respect of, any jurisdiction other than the member State; or
- (iii) that the mark is well known by the public at large in the Member State.

4. Damage to a Well-Known Mark Must Include Dilution. Article 6.4 of the second Draft provides that Article 6*bis* of the Paris Convention shall apply to use of a well-known mark on goods or services dissimilar to those identified by the mark if such use "would indicate a connection between the goods or services and the owner of the trademark and provided that the interests of the owner of the trademark are likely to be damaged by such use." This "damage" requirement improperly eliminates the theory of

dilution that has become a cornerstone of international law governing the protection of well-known marks. It is inconsistent also with the WIPO Joint Resolution.

The WIPO Joint Resolution affords protection to a well-known mark when unauthorized third party "use of that mark is likely to impair or dilute in an unfair manner the distinctive character of the well-known mark and the use of that mark would take unfair advantage of the distinctive character of the well-known mark." INTA supports this broader provision, which we submit is much less likely to be misconstrued than the "damage" language of the current Article 6.4.

As a non-defined term, "damage" is open to many constructions, including constructions requiring proof of actual financial loss or the potential for financial loss and ignoring the very real damage and potential damage to good will and reputation necessarily caused by dilution and unfair competition. INTA urges the Negotiating Group to delete the current "damage" provision of Article 6.4 and replace it with the language of the WIPO Joint Resolution quoted above.

We note with some concern the possibility that "connection between the goods or services and the owner of the trademark" will be construed to require a likelihood of confusion, which is entirely contrary to the foundational principles of dilution, and suggest that the Negotiating Group address this issue with clarifying text.

5. No Expiration of Rights of Well-Known Mark Owners. INTA is disappointed that the second Draft omits Subsection 7 of the first Draft, which provided that there would be no deadline for pursuit by a well-known mark owner of cancellation or prohibition of use of marks registered or used in bad faith. The provisions of former Subsection 7 conformed to the WIPO Joint Resolution; INTA supports their inclusion in the FTAA.

6. Business Identifiers. Like the first Draft, the second Draft contains no analogue to the WIPO Joint Resolution prohibition of business identifiers (trade names) that conflict with well-known marks. INTA supports inclusion of such an analogue in the FTAA.

7. Conclusion. In sum, INTA recommends that the FTAA conform to existing international norms and agreements governing the protection of well-known marks. Such conformance will help to ensure that the rights and obligations of Member States in respect of well-known marks are clear and certain and will help to ensure also that owners of well-known marks have a consistent and uniform method of protecting their rights globally.

We reiterate our belief that adoption of the entire WIPO Joint Resolution in respect of well-known marks is a simple way of effecting the required changes, and is strongly supported by INTA.

F. Article 8. Term of Protection
(page 9.9)

We are pleased that the second Draft incorporates in Article 8.1 INTA's proposal for an initial term of not less than ten years for trademark registrations and a term of not less than ten years for renewals of trademark registrations. The current Article 8.1 is consistent with Article 13(7) of the TLT; INTA supports the Article as now drafted.

G. Article 9. Requirement of Use
(page 9.10)

1. Article 9.1 (first version). The first version of Article 9.1 requires Parties to apply the use provisions of TRIPS Article 19. INTA supports this provision.

2. Article 9.1 (second version). The second version of Article 9.1 provides for cancellation of a trademark registration on the ground of non-use for a period of at least five years from the date of registration. We note as a preliminary matter that "date of registration" is ambiguous in legal systems in which trademark registrations are effective from the filing date of the corresponding application. If the phrase "date of registration" is used in the FTAA, it would be helpful to clarify whether the phrase is intended to mean the date on which the registration was granted or the effective date of the registration.

More substantively, INTA is pleased to see that this version of Article 9.1 is not notably inconsistent with our Model Law Guidelines, promulgated in May 1998, which reflect a consensus of INTA's membership on use issues. Relating to the cancellation of a trademark, our guidelines promote provisions similar to those contained in Section 45 of the Canadian Trademark Act.² While the second version of Article 9.1 is not seriously objectionable and improves on earlier versions by providing for excusable non-use, INTA nonetheless recommends that the Negotiating Group consider the language used in the Canadian provision.

H. Article 11. Licensing and Assignment
(page 9.10)

INTA's comments on this Article are limited to the three proposals for Article 11.2, on which it appears that no consensus has been reached. The first proposal would make recordal of trademark license agreements mandatory. The second proposal would permit but not require mandatory recordal of trademark license agreements. The third proposal would bar Parties from requiring recordal of trademark license agreements. For the reasons explained below, INTA strongly supports the third proposal.

1. Elimination of Mandatory Trademark License Recording Requirements. INTA urges the Negotiating Group to eliminate mandatory trademark license recording requirements because they create an undue burden on trademark owners and constitute an unwarranted

² Canadian Trade-Mark Act [R.S., c.T-10, s.1.]

impediment to the enforcement of trademark rights, thus unnecessarily impeding trade among nations. Any limited benefits afforded by mandatory recordal are vastly outweighed by its burdens and can be met by less disadvantageous means.

a. Background. The trademark laws of many countries in the Americas require licenses to be recorded. Recording usually is necessary for the license to be valid, for the rights of the licensor to be enforceable against third parties, and for use of the licensed mark by the licensee to count as use by the licensor for satisfaction of use requirements.

b. Disadvantages of Recording Requirements. Among the many disadvantages of mandatory trademark license recording requirements are those summarized below.

Use of a registered mark by an unrecorded licensee is not officially recognized and does not inure to the benefit of the registrant. Thus, recording requirements are used by third parties to challenge a trademark owner's rights. Failure to record can render a trademark owner's rights unenforceable.

Complying with mandatory license and registered user requirements is expensive, often costing many thousands of dollars. For smaller businesses, such costs may be prohibitive.

Complying with the myriad details and procedural niceties of recording requirements takes many months. Since satisfaction of the requirements often is a precondition to business arrangements, implementation of such arrangements often is delayed while the complexities of recording requirements are navigated. These complexities are themselves a disadvantage and an impediment to trade.

Costs of recording are even higher for trademark owners with multiple licensees, e.g., franchisers; for trademark owners with registrations and applications in multiple classes, especially in countries where a separate trademark registration is issued for each class; and for trademark owners with a continuous program of expanding and updating their product lines and packaging, for whom recording is a never-ending process and a never-ending expense, since additional fees must be paid each time amendments to a license agreement are recorded.

Recording a license often requires publication of its contents and the open availability of the license for public inspection. Often, a change in a license agreement must be recorded before it will become effective.

In those countries where governmental approval of a license agreement is required to determine its compliance with applicable laws, there is uncertainty and a lack of consistent interpretation of the law. This often leads to arbitrary and unfair treatment of trademark owners.

c. Reasons Given for Recording Requirements. Historically, the following needs have been cited to justify mandatory recording requirements:

The need to examine the terms of the contractual relationship to determine whether the agreement violates provisions of local law (anti-trust, technology transfer, exchange controls, foreign capital, and taxes);

The need to enable consumers to determine whether the licensed products or services meet the standards of the licensor and whether the licensee is authorized to use the mark;

The need to protect the trademark owner by providing that use by the licensee inures to the benefit of the licensor for the acquisition or the maintenance of the licensor's trademark rights, particularly where the licensor is not itself using the mark in the country; and

The need to protect the licensee from third parties by allowing it to join infringement proceedings and claim indemnification for its own damages, and to protect the licensee from the licensor by making it impossible or difficult for the licensor to assign, cancel or encumber the licensed trademark without the licensee's cooperation.

d. Other Means for Meeting These Needs. INTA submits that the penalties imposed for non-recordal are too harsh, and that compliance with such recordal requirements is unduly costly, unduly cumbersome, and commercially unrealistic. To the extent that the requirements are intended to ensure compliance with local law, INTA submits further that compliance issues could and should be raised and dealt with when a trademark owner tries to enforce rights in its mark against a third party.

Moreover, INTA believes that the needs listed above can be met by other, less disadvantageous, means, including the following.

If a license agreement fails to comply with laws other than trademark law, noncompliance may be deemed to render the agreement or certain of its provisions invalid and to render the licensor subject to fines. INTA submits that rendering a trademark registration invalid or unenforceable for noncompliance with administrative recording requirements is neither necessary nor reasonable; these sanctions are much too drastic and disproportionate to the offense.

The recording of a license provides no guarantee of quality control. The identity of a trademark owner can be established by consulting trademark registers or through other means, although consumers rarely, if ever, are moved to do so. Complaints about quality can be directed to the appropriate entity, which in many if not most instances can be determined from product labeling. Again, unenforceability of a trademark registration is too drastic a sanction for noncompliance with recording requirements.

If a country's law provides that the use by a licensee automatically inures to the benefit of the trademark owner, mandatory recording is not necessary. Increasingly, countries are acknowledging this fact by eliminating the license recording requirement. Canada has

eliminated its "registered user" requirements; Brazil has eliminated recording requirements for at least some purposes.

Generally, a license agreement can permit the licensee under certain circumstances to join or institute infringement proceedings and claim compensation for its own damages. Licensees can negotiate for inclusion of these and other protective provisions in their license agreements.

2. Conclusion. As demonstrated above, the only real benefit of mandatory license recording requirements runs to the country imposing them, through collection of governmental recording fees. The requirements afford no benefits at all to consumers. Indeed, the requirements may be detrimental to consumers to the extent that their enforcement leads to appropriation of valid marks by local infringers or disloyal licensees. Moreover, mandatory recording requirements are inconsistent with the free trade objectives of the FTAA, since they unduly impede the multinational commercialization of marks and thus unduly impede trade among nations. INTA, therefore, urges the Negotiating Group to bar mandatory recording requirements in Member States.

If mandatory recordal of licenses is adopted, despite the many good reasons given above for not doing so, the penalties for failure to record should be restricted to prevent the unwarranted loss of trademark rights. This would accord with the WIPO Proposed Joint Recommendation Concerning Trademark Licenses ("Joint Recommendation") issued on June 8, 2000, by the Standing Committee on the Law of Trademarks. The relevant provision of the Joint Recommendation is set out below.

Parties shall not require recordal of trademark licenses to establish the validity of the license or to maintain the power to assert any rights in the trademark, and the failure to record a trademark license shall not affect the validity of the registration of the trademark that is the subject of the license.

Elimination of mandatory recording is the preferred solution to the problems addressed by this provision, but INTA strongly supports inclusion of the provision if mandatory recording is not barred.

I. Article 12. Procedural Issues
(pages 9.10, 9.11)

1. Article 12.1. The requirement of transparency in procedures for registering and maintaining trademarks is a welcome supplement to the more specific transparency requirements in the General Provisions of the second Draft.

2. Article 12.3. INTA supports and applauds the requirement in this Article that Parties work toward implementation of systems for electronic application processing, registration and maintenance of trademarks.

3. Article 12.4. The requirement that Parties adopt and adhere to the Nice Classification system may be untenable, as it conflicts with the national laws of some potential Parties, most notably Canada. The requirement that Parties use the Nice Classification system has prevented Canada from becoming a Party to the TLT.

4. Article 12.5. One version of this Article is an improvement over the TRIPS provision from which it is taken. TRIPS provides that each party may afford an opportunity for registration of a trademark to be opposed, in addition to providing a reasonable opportunity for petitions to cancel registrations. One version of Article 12.5 mirrors TRIPS and permits but does not require Parties to provide for opposition proceedings. The other improves on TRIPS by requiring Parties to provide for oppositions as well as cancellations proceedings. INTA supports the opposition requirement.

J. Article 13. Domain Names on the Internet
(page 9.11)

1. Government Advisory Committee. INTA supports the first version of Article 13.1, which requires the participation of contracting parties in the Government Advisory Committee (GAC) of the Internet Corporation for Assigned Names and Numbers (ICANN). INTA believes that national governments offer technical, as well as policy, expertise to the process of creating a more safe, stable, and reliable domain name system (DNS) and, therefore, encourages their participation within the GAC.

2. Participation in ICANN Uniform Dispute Resolution Procedures. INTA also endorses the requirement in the first version of Article 13.1 that Parties' Network Information Centers ("NICs") participate in the ICANN Uniform Dispute Resolution Procedure (UDRP) to resolve instances of alleged cyber-piracy of trademarks.

The UDRP already has been proven to provide a fair and expeditious method of resolving cybersquatting disputes in the .com, .net and .org global top-level domains. There have been more than 6,500 proceedings decided under the UDRP involving more than 11,000 domain names. The vast majority of these disputes were decided in fewer than 60 days.

We believe that it is beneficial to take this wealth of experience and begin to use it within the realm of ccTLDs. Doing so will help to limit the patchwork of conflicting decisions regarding the rights of trademark owners and domain name registrants and generally lead to greater uniformity in the disposition of domain name disputes, which is in the interest of both consumers and trademark owners.

3. Provision of WHOIS Data. The second Draft does not require Parties' NICs to provide accurate, reliable, and accessible WHOIS data. INTA recommends that this requirement be added to the FTAA. WHOIS is an essential tool used by law enforcement officials, consumers, and parents of young Internet users to get the information they need to contact owners of particular web sites, as well as by trademark and copyright owners

seeking information about possible infringers. We submit that the proposed requirement would afford important benefits to all.

SECTION 2. GEOGRAPHICAL INDICATIONS (pages 9.12-9.13)

A. General Comments.

The second Draft contains provisions that go well beyond the level of protection provided under NAFTA and would, to the detriment of trademark owners, bring the Geographical Indications Appellations of Origin (GI/AO) protection system applicable to the Americas much closer to a Lisbon Agreement system of protection. INTA is strongly opposed to such changes, which would preempt longstanding trademark rights. Preemption of trademark rights is unwarranted, especially in light of the availability of unfair competition laws, certification marks and similar avenues of protection already in place.

The TRIPS Agreement was a considered balancing act between the rights of GI/AO holders and trademark owners, but the current Draft Agreement clearly upsets this balance in favor of GI/AO holders. INTA strongly recommends that the draft be revised so that it adheres to the hard-fought compromise provisions of TRIPS, which would leave the protection of GIs/AOs largely to the discretion of Member States.

Further, the FTAA should provide expressly for a "first in time, first in right" approach when trademarks and GIs/AOs conflict, as set forth in TRIPS Article 16(1).

If the foregoing recommendation is not followed, the specific provisions in the Draft must be reviewed. That review is set out below.

B. Article 1. Definition (page 9.12)

The Draft now has two definitions of GIs and AOs, one in Article 1.1 and another in Article 1.2. Both are similar in some respects to the definitions of the Lisbon Agreement and TRIPS, but neither is identical to either Article 2 of the Lisbon Agreement or Article 22(1) of TRIPS. Since the Draft definition provisions have different numbers, it seems reasonable to assume that they are intended to address different aspects of GIs and AOs and are not alternatives. Taken separately, each definition in the Draft is broader than the definition provided in the Lisbon Agreement. Taken together, the definitions constitute a substantial expansion of the protection afforded by TRIPS and the Lisbon Agreement. INTA objects emphatically to this expansion and supports instead use of the TRIPS definition to ensure compatibility with TRIPS.

1. Article 1.1. The definition in this Article is close to the Lisbon definition with the notable exception that it also mandates protection for designations that are not the name of a country, region or locality but refer to a specific geographic zone. We strongly

disagree with such a broadening of the designations eligible for protection as GIs/AOs. More basically, we question its factual foundation.

2. Article 1.2. The definition in this Article is very close to the TRIPS definition but expands the TRIPS definition by including designations for services. We strongly advise deleting services from the definition, primarily because the reputation, quality, and other characteristics of services are not attributable to their geographic origin. Banking and legal services provide instructive illustrations of this point. The United States subsidiary of a Swiss bank may provide services of the same quality and characteristics as those of its Swiss parent despite the ocean that separates them. The Russian office of a Canadian law firm may provide services of the same quality and characteristics as those of the Toronto main office, again despite the ocean between them.

Geography plainly has nothing to do with the quality and characteristics of services. Moreover, extending GI/AO protection to services would raise perplexing issues. Article 1.2 requires that the designation identify services originating in the territory of a Party. This requirement could not be met when individuals providing the services were resident, and arguably even traveling, outside that territory. If the GI/AO were SWISS BANKING, the requirement could not be met by the United States subsidiary of a Swiss bank. The potential for misleading and deceptive use of GIs/AOs for services is limitless.

Accordingly, INTA urges the Negotiating Group to reject GI/AO status for services, and in any event to consider and evaluate with great care the potential risks of granting such status to services that have no true link to the "territoire."

C. Article 3. Protectable Subject Matter
(page 9.12)

Article 3.1 is both redundant and inconsistent with other provisions of this Section. INTA, therefore, recommends deletion of the Article. INTA objects specifically to inclusion of industrial products as protectable subject matter. The widespread movement of manufacturing facilities from one country to another demonstrates that industrial products can be made anywhere and demonstrates also that industrial products lack the true connection to territory required for denomination as GIs/AOs. Protection under this Section should be limited to comestibles or other products of the land in the region identified by the GI/AO.

D. Article 5. Rights Conferred
(pages 9.12, 9.13)

1. Article 5.1. General Comments. The second Draft contains two alternative versions of this Article. INTA objects strongly to both versions. The first version of the Article affords no protection at all to preexisting trademark rights; this flaw is discussed more fully below. The second version of the Article protects GIs/AOs from use of identical or similar signs, including trademarks, when such use might result in a likelihood of confusion. The possible likelihood of confusion standard is substantially broader than the

likelihood of confusion standard that obtains in many States and substantially broader also than the “misleading” standard found in TRIPS and found also in European systems of protection, along with “absolute” protection for a limited group of AOs. INTA finds this broader protection unwarranted. Finally, the protection afforded to GIs/AOs by the Article against marks used on “related” goods is a cause of concern.

2. Article 5.1. Possible Likelihood of Confusion Standard. There is no valid reason to broaden the protection afforded to GIs/AOs by the FTAA through incorporation of a likelihood of confusion standard, and even less reason to broaden the standard further to possible likelihood of confusion. The only question raised by third party use of a similar or identical sign is whether such use will mislead consumers into believing that the product bearing the sign comes from the same place as products bearing the GI/AO. A prohibition against “misleading” use will provide the protection to which GIs/AOs are legitimately entitled. Such protection should be limited to protection from geographically misleading use. If there is no risk that use of a sign will cause consumers to be misled as to the geographic origin of the goods in question, as, for instance, when a GI/AO is completely unknown in a particular market, the GI/AO should be entitled to no protection there absent a system of “absolute” protection through registration.

3. Article 5.1. Protecting Prior Trademark Rights. An FTAA that fails to preserve and protect the established rights of trademark owners is completely unacceptable to INTA and its members. Protection of established trademark rights against GIs/AOs requires a clear and direct “first in time, first in right” provision in the FTAA. Neither version of Article 5.1 contains such a provision. The first version, as noted above, affords no protection at all to existing trademark rights and is wholly unacceptable for that reason. The second version contains vague language in respect of prior rights that falls far short of the “first in time, first in right” provision we recommend and arguably permits coexistence of a GI/AO with an earlier trademark right, even when confusion between the two is likely. INTA, therefore, objects strongly to the second version of Article 5.1 as well. Our problems with both versions are not resolved by Article 6 of this Section, which is discussed separately below.

E. Article 6. Relation to Trademark Protection
(Page 9.13)

1. Article 6.1. General Comments. This Article provides protection for GIs/AOs at the expense and to the derogation of established trademark rights. INTA accordingly strongly opposes its inclusion in the FTAA for the reasons discussed below.

2. Article 6.1. Destruction of Existing Trademark Rights. Article 6.1 states that a trademark should not be registered where its use “might cause likelihood of confusion or of association” with a GI/AO. The provision must be amended to incorporate expressly the “first in time, first in right” principle of TRIPS Article 16(1), thus preserving and protecting earlier trademark rights and rendering the FTAA consistent with TRIPS. The provision must be amended also to limit protection of GIs/AOs to trademarks that are misleading as to the geographical origin of the goods they identify. This is the threshold

established in TRIPS; it represents a fair and equitable standard, which INTA supports unequivocally.

The standard in the current Article, which protects GIs/AOs from marks that “might cause likelihood of confusion or of association,” is neither fair nor equitable to trademark owners. The use of “might” is particularly objectionable. If GIs/AOs are protected against any mark that consumers might associate with the GI/AO, the number of marks left standing when the smoke clears may be very small indeed. We see no justification for such wholesale destruction of trademark rights and strongly support the “misleading as to geographic origin” standard of TRIPS.

3. Article 6.1. Suggestion for Harmonization. As previously indicated, the Draft is significantly flawed by its failure to balance the respective rights of trademark owners and GIs/AOs with a “first in time, first in right” provision. Inclusion of such a provision will strike the appropriate balance and harmonize the FTAA with TRIPS Article 16(1), with which most FTAA Member States must comply in any event. Accordingly, INTA urges the Negotiating Group to replace the current Article 6.1 with an express “first in time, first in right” provision.

F. Article 6.1. Conclusion.

In summary, INTA submits that the current level of GI/AO protection in the Western Hemisphere is more than sufficient and that no changes to the TRIPS provisions already in place are necessary or desirable.

SECTION 4. PROTECTION OF [EXPRESSIONS OF] FOLKLORE (page 9.27)

A. Article 1. General Comments.

INTA notes with grave concern the provisions of this Article, which are so vague and so broad as to afford almost limitless protection to almost limitless subject matter. The provisions are even less acceptable and even more unreasonable than the provision found on p. 8.8 of the first Draft. For the reasons set out at pp. 6-10 of our first comments, INTA opposes this Article and urges the Negotiating Group to delete it.

PART III . ENFORCEMENT (pages 9.44-9.50)

A. General Comments.

Trademark enforcement issues have been dealt with expertly and thoroughly in three important sets of guidelines, each of which reflects a broad consensus among many nations. INTA generally supports all three sets of guidelines, each of which is discussed separately below, and recommends that the Negotiating Group adhere to them in most

respects. INTA's suggestions for improvements in the guidelines are contained in Appendices G through I.

1. Implementing Enforcement Provisions of Part III of the TRIPS Agreement. INTA asks the Negotiating Group to support the adoption of anti-counterfeiting and anti-piracy provisions that go beyond the minimum requirements of TRIPS to strengthen the protection of trademarks and enhance the legitimate trade between nations. Detailed recommendations for such provisions are set forth in Appendix G.
2. WIPO Model Anti-Counterfeiting and Anti-Piracy Laws. The WIPO model provisions offer valuable guidelines for nations to follow in implementing the obligations of TRIPS Article 41. INTA recommends that the Negotiating Group include in the FTAA a requirement that each Member State implement measures against counterfeiting and piracy that conform to the WIPO model provisions and the INTA comments on those provisions set forth in Appendix H.
3. World Customs Organization ("WCO") Model Legislation. Although Part III of TRIPS includes special requirements related to border protection against counterfeiting and infringement, it does not provide explicit provisions to implement such requirements. WCO has created model legislation to guide nations in the implementation of their own protective measures in this area. INTA supports inclusion of the WCO model provisions in the FTAA with the amendments detailed in INTA's comments, set out in Appendix I.

B. ARTICLE 1. [GENERAL OBLIGATIONS]
(pages 9.44, 9.45)

1. Article 1.10. Both versions of this Article deem trademark licensees to be rights holders for purposes of enforcement of rights in the licensed mark. Neither version distinguishes between a trademark licensee and a trademark licensor for enforcement purposes and neither permits licensors to govern the enforcement rights of their licensees through the terms of their license agreements. INTA submits that trademark owners must be permitted to decide whether and under what terms and conditions their licensees will be able to institute and prosecute enforcement actions. Since both versions of Article 1.10 would deprive trademark owners of this right, INTA opposes them.
2. Article 1.11(a). The definition of "counterfeit trademark goods" in this Article is narrower in many respects than the WIPO analogue. INTA supports replacement of the Article with the WIPO provision.

C. ARTICLE 2. PROCEDURAL AND REMEDIAL ASPECTS OF CIVIL AND ADMINISTRATIVE PROCEDURES
(pages 9.45-9.47)

1. Article 2.3(a) and (b). These provisions require each party in a proceeding to produce "relevant" evidence to the other party, "subject in appropriate cases to conditions that ensure the protection of confidential information." INTA is concerned by the provisions,

which contain the potential for serious abuse. Once confidential and competitively sensitive information has been provided to an opposing party, in most instances a competitor, we submit that its protection has been lost. INTA therefore recommends that the Negotiating Group consider limitations of the provisions to render them less subject to abuse.

2. Article 2.3(d), (e), and (f). These provisions require the payment of costs, attorneys' fees, damages, and compensation by the losing party in a proceeding. Whether they apply only to court proceedings or apply also to administrative proceedings, such as those of the United States Trademark Trial and Appeal Board, is unclear. INTA opposes application of the provisions to administrative proceedings.

3. Article 2.6. Both versions of this Article authorize the distribution of goods found to be infringing and counterfeit "outside the channels of commerce" or to charitable organizations. INTA opposes this aspect of each version of the Article and supports instead a requirement that goods found to be infringing or counterfeit be destroyed.

4. Article 2.7. This Article would permit Member States to infringe trademark rights in perpetuity on payment of "adequate remuneration" presumably determined by the infringer. INTA strongly objects to this provision with respect to trademarks. Trademark owners should not be limited in their ability to stop any governmental agency from infringing their rights. At a minimum, INTA would recommend that for purposes of this Article only national governments should be deemed "Parties."

5. Article 2.9. This Article would require all Member States to allow exclusive licensees of trademarks to institute civil judicial infringement proceedings. The Article is in derogation of the very basic right of trademark owners to decide how, when, and whether to enforce rights in their marks. INTA opposes the Article for this reason and notes that it could subject trademark owners to liability for infringement suits held to be unfounded, anti-competitive, or otherwise objectionable, over which suits the trademark owners had no control.

D. ARTICLE 4. CRIMINAL PROCEDURES
(pages 9.47, 9.48)

1. Article 4.5. INTA opposes the provision in the last sentence of this Article permitting "competent authorities" to dispose of fraudulent goods by donation to charitable organizations or otherwise. Fraudulent goods should be destroyed.

2. Article 4.6. This Article requires each Party to provide for legal action by its authorities "without the need for a formal complaint by a private party or right holder." The provision effectively would require each Party to permit its authorities to take legal action of any and all kinds against a person on the basis of an informal complaint or protest. INTA believes the Article to be ill considered and without the necessary safeguards; it probably is contrary to the constitutional provisions of some States.

PART VI. OTHER PROVISIONS

(page 9.53)

A. ARTICLE 2. PROTECTION OF EXISTING SUBJECT MATTER

(page 9.53)

1. Article 2.4. INTA strongly objects to this Article, which is entirely contrary to the foundational trademark principle “first in time, first in right.” Our view is that the FTAA cannot and should not render any lawful trademark in a Member State infringing, as the Article contemplates. We urge the Negotiating Group to delete the Article in its entirety, thus preserving and protecting the rights of lawful trademark owners.

CONCLUSION

INTA very much appreciates the opportunity to comment on the second Draft and hopes that the foregoing comments are both clear and helpful. Should any of the foregoing comments be unclear, we will be pleased to provide clarification. More generally, we would welcome future opportunities to lend additional assistance.