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1.0 WHY A NORTH AMERICAN PATENT OFFICE?

The North American Trade Region, composed of Canada, Mexico, and the United States, has a total population of 350 million inhabitants and an internal gross income of approximately US$6 trillion. This makes this region one of the largest economic trading blocs in the world. It is thus attractive not only in terms of its size, but also, in terms of its characteristics as a market, because it joins two of the most powerful economies in the world with a leading country of the developing world.

NAFTA has been the principal force behind the integration of the area into a free trade zone. It has triggered international trade by reducing tariffs and eliminating trade barriers in general, and this is reflected in major growth and wealth among the three member countries.

As a legal instrument, NAFTA is one of the most comprehensive multilateral intellectual property agreements ever conceived, and has generally established a higher level of protection than any other bilateral or multilateral international agreement, including GATT/TRIPS.

As a result, NAFTA has been the vehicle for the setting of higher standards and, to some extent, harmonization of the industrial property and copyright laws of Canada, Mexico, and the United States. All of the foregoing have made North America a true global competitor.

1.1 ONE PATENT OFFICE FOR NORTH AMERICA?

In a global context, intellectual property laws go hand in hand with international trade and competition laws. However, the crossing of paths of intellectual property and international trade has raised questions about territoriality. Traditionally, intellectual property has been framed by the concept of territoriality. And, as a result of globalization, IP laws are likely to become more flexible. Otherwise, instead of a mechanism for the fostering of free trade, IP would be a source of conflict and struggle.
But would the softening of the territoriality principle in IP law mean that countries have to relinquish their own national patent systems and offices? Would it be a justifiable undertaking for the three countries, signatories to one treaty, to engage in the effort of creating a regional patent office, considering the expense that this would represent in terms of money and other resources? Would a single office attract investment into the region and foster the transfer of technology and trade?

2.0 ECONOMIC AND LEGAL CONDITIONS TODAY

Each member of NAFTA has different industrialization and economic levels. There are also differences in the numbers of patent filing-that is, national applications.

- The Canadian Patent Office receives approximately 35,000 national patent applications per year. Of these applications, 0.05 percent are filed by Mexicans, 14 percent by Canadians, and 47 percent by Americans.

- The Mexican Patent Office receives approximately 13,000 national applications per year. Of these applications, 3 to 4 percent are filed by Canadians, 60 to 65 percent by Americans, and 5 percent by Mexicans.

- The US Patent Office receives approximately 280,000 national applications per year. Of these applications, 2 percent are filed by Canadians, 0.06 percent by Mexicans, and 56 percent by Americans.

2.1 DIFFERENCE IN NUMBER OF PATENT COOPERATION TREATY APPLICATIONS

The Canadian Patent Office receives approximately 21,500 Patent Cooperation Treaty (PCT) applications per year. The Mexican Patent Office receives approximately 7,000 PCT applications per year. The US Patent Office receives approximately 30,000 PCT applications per year.

2.2. CONDITIONS IN MEXICO

Since 1983, Mexico has undergone political and economic change. There is now a better framework for democracy. Mexico has also opened its borders by entering into different bilateral and multilateral free trade agreements. Industrial competitiveness and economic development have become more perceptible. A dynamic process can also be observed in the greater volume of exports a different kinds of products. Mexico has become the eighth largest exporting nation in the world.
Commerce between Mexico and its neighbors to the north has increased significantly. The United States is Mexico's principal trading partner, while Mexico is the United States' third or even second largest trading partner, after Canada and perhaps Japan. While it was practically non-existent before, it commercial relationship with Canada has developed quickly since the signing of NAFTA.

2.3 CONVENTIONS AND TREATIES OTHER THAN NAFTA

The three countries are signatories to the Paris Convention, which recognizes:

- priority rights

- the right to consider a patent granted in any of the three countries independent from a patent granted in the other two;

- an inventor's right to be mentioned in the patent;

- the right to keep a patent in force notwithstanding restrictions of sale by the law;

- rules of failure to work the patented invention, or insufficient working including possible ways of granting compulsory licenses;

- importation rights of products manufactured by patented processes in the importing country; and

- industrial design protection;

The three countries are also signatories to the Strasbourg Convention. UPOV, PCT, TRIPS, and NAFTA. These conventions all require that patents be made available for inventions (products or processes) that are new, the result of an inventive step, and capable of industrial application. There are, however, differences in conceptualization of requirements in each country.

These conventions also provide certain exclusions:

- To protect “public order” and morality, patents on “human, animals or plant life and health” or those that may “prejudice nature or environment” are not available. This exclusion is subject to each country’s interpretation.

- Also excluded are patents on diagnostic, therapeutic, and surgical methods for the treatment of humans or animals; plans and animals other than micro-organisms; and essentially biological processes for the production of plants or animals, other than non-biological and microbiological processes for such production.

It is unclear what would be done in connection with exclusion areas that are not specific in NAFTA but that are still considered in member countries’ laws (for example, Mexican Law), such as the patentability of business methods or computer software.
For the economic and legal reasons explained above, there may be sufficient reason to create a regional patent office that integrates the three NAFTA member countries. There are, however, additional factors that should be taken into account before a regional patent office becomes a reality.

3.0 CHALLENGES OF A NORTH AMERICAN PATENT OFFICE

3.1 ECONOMIC AND HUMAN RESOURCES ISSUES

The setting up of a Patent Office cannot be regarded as an easy task. A regional office would represent a major effort. The European Union has dealt with this

issue, and has expended significant amounts of time and money from its signatories' budgets.
Would such an expense be reasonable for only three countries, who have their own patent systems and patent offices working well? Would the growth of commerce among the three NAFTA countries, and NAFTA itself, justify the creation of a regional patent office?

3.2 HARMONIZATION ISSUES

The creation of a regional patent office would not imply the integration of the market. The European office is an example of that. It would, however, require the harmonization of patent rules in the laws of the three countries - that is, the abolition of first to file to first to invent. Would the United States drop its first-to-invent system, or would Canada and Mexico leave behind the first-to-file system and adopt a first-to-invent system?
It would also require the harmonization of patentability requirements:

- with regard to novelty, the three countries have adopted an absolute novelty model;

- with regard to industrial application, there may be differences in each country's interpretation of the concept; and

- with regard to inventive step, there is a need to harmonize the principles of "non-obviousness" and "inventive activity".

Finally, it would require the harmonization of exclusions. For example, would Mexico reduce the scope of exclusions as it now exists in article 19 of the law,

including the patenting of business methods and computer software?

3.3 ADMINISTRATIVE ISSUES

The creation of a regional patent office would require that decisions be made on a number of administrative issues:

- What would be the governing language in official communication and application handling? English? Spanish? French? All three?

- Would Canada and the United States accept filings in languages other than English?

- Would a regional patent office coexist with the national system in each of the three countries?

- Would national offices continue to grant patents in each of the NAFTA countries?

- Would the three countries accept the closure of their national offices?

- Where would a regional office be located? If it were located in Mexico, that certainly would be an incentive for Mexico to join the project. But would the United States accept that location?

- The creation of a regional office would mean that national offices would lose a lot of revenue. What would be done with regard to the reduction of personnel at national offices?

- Would a regional office be composed of officers and personnel of the three countries? What would be its structure and size? How would it be governed? Who would supervise the management, operation, and performance at the office? What would be the budgetary constraints?

- Would the national offices revalidate the regional patents? Despite the costs of translations and national filings, patents are revalidated in Europe.

4.0 NORTH AMERICAN PATENT OFFICE AND PCT

The PCT has made a tremendous impact on patent prosecution around the world. Among other things, it has been a factor in cost reduction because it eliminates steps in the prosecution of national patents, requiring just a single search and examination.

The PCT can also perform as a vehicle for reducing steps in the prosecution of regional patents. Accordingly, it would be feasible to use it in connection with the creation of a North American patent office.

The use of the PCT in the creation of the North American patent office poses many questions; and the fact that countries maintain national patent offices would raise additional questions.

- If national patent offices continue to exist, would users be allowed with their national offices first and then with the regional office, or the other

way around? Would there be any difference as to the treatment given under the PCT? Could international filings be made at either office?

- Would the regional office be an international searching and/or examining authority? Would the US. PTO let the regional office perform that function or would both the US. PTO and the regional office do it?

- Would users of the PCT be entitled to choose, upon entering into the nation at phase, whether to use either the national or the regional office?

- If the regional office is appointed as the international searching or examining office, would it be, as it is in Europe, the first option of Canadian, Mexican, or US applicants? If it were, Americans would not have the alternative of going with the European office, and Mexicans would lose the chance to file with the European, Swedish, Spanish, and US. PTOs.

- Would agents need special qualifications to file applications? How would they be compensated for the loss of activity?

- Who would keep the fees of national filings after 30 months?

- Would there be one single publication in three languages? How would the national publication system work, especially when an application is first filed with the national office?

- Would the PCT publication system be adopted? Would that imply a triple publication system (national, regional and PCT)?

5.0 CONCLUSIONS

North America has become an attractive market in which to invest, and NAFTA has been an important factor of this attraction. NAFTA, as well as other international treaties in patent law, has reduced the gap and distances among the patent laws of Canada, Mexico, and the United States.

For the economic reasons outlined above, the setting up of a North American patent office may be interesting on its face. However, the creation of a regional patent office would demand much organization and investment. It would require answering many questions-especially from a legal standpoint.

In addition, the three NAFTA countries would have to modify their patent laws in order to harmonize their patent systems. They would have to change principles and practices, and alter or abandon certain views and policies that they now follow.

Finally, many issues regarding the structure, organization and performance of a regional office would have to be discussed to ensure that it can function as a single entity and in coordination with the three national offices, and with international bodies, and with treaties such as the PCT.