

**The U.S.-Central American Free Trade Agreement (FTA)
The Intellectual Property Provisions**

**Report of the
Industry Functional Advisory Committee on Intellectual Property
Rights for Trade Policy Matters (IFAC-3)**

March 12, 2004

Advisory Committee Report to the President, the Congress and the United States Trade Representative on the U.S.-Central American Free Trade Agreement

Prepared By the

Industry Functional Advisory Committee on Intellectual Property Rights for Trade Policy Matters (IFAC-3)

I. Purpose of the Committee Report

Section 2104 (e) of the Trade Act of 2002 requires that advisory committees provide the President, the U.S. Trade Representative, and Congress with reports required under Section 135 (e)(1) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into an agreement.

Under Section 135 (e) of the Trade Act of 1974, as amended, the report of the Advisory Committee for Trade Policy and Negotiations and each appropriate policy advisory committee must include an advisory opinion as to whether and to what extent the agreement¹ promotes the economic interests of the United States and achieves the applicable overall and principle negotiating objectives set forth in the Trade Act of 2002.

The report of the appropriate sectoral or functional committee must also include an advisory opinion as to whether the agreement provides for equity and reciprocity within the sectoral or functional area.

Pursuant to these requirements, the Industry Functional Advisory Committee on Intellectual Property Rights for Trade Policy Matters (IFAC-3) hereby submits the following report.

II. Executive Summary of Committee Report

IFAC-3 believes that the U.S.-Central American FTA (“CAFTA”), taken as a whole, is a strong agreement and meets most of the negotiating goals and objectives contained in the Trade Act of 2002 and those of the U.S. intellectual property-based industries, creators and innovators. IFAC-3, therefore, supports the CAFTA chapter on intellectual property and commends the U.S. negotiators for a job well done. While IFAC-3 is particularly gratified that this agreement makes certain key improvements from the FTA negotiated with Chile, it is unfortunate that elements of the agreement fall short of providing the same levels of protection and enforcement provided in the

¹ This report is based on a review of the CAFTA dated January 28, 2004. This text is not the “final” text, which at a minimum must undergo a legal “scrub” before it is submitted to the Congress and to the President. Accordingly, the final agreement may be different from the text upon which IFAC-3 has made these comments.

Singapore FTA (particularly some of the long transition periods for implementation). Nevertheless, IFAC-3 believes that the agreement establishes a number of key precedents that should be included in the other FTAs now being negotiated, including the FTAA. IFAC-3 wishes to underscore the importance that it attaches to a close working relationship between IFAC-3 and industry, on the one hand, and U.S. negotiators, on the other, in ensuring that the model FTA intellectual property text, which has been carefully developed through the course of negotiation of six FTAs, continues to form the basis for these other agreements.

III. Brief Description of the Mandate of IFAC-3

As part of its mandate to provide detailed policy and technical advice, information and recommendations on trade-related intellectual property matters, IFAC-3 advised U.S. negotiators on, and reviewed draft texts of, the Singapore FTA, the Chile FTA, CAFTA, and the Australia FTA intellectual property chapters. In particular, IFAC-3 evaluated these FTA provisions in the context of the IP-related objectives contained in the Trade Act of 2002 and the objectives and achievements of other U.S. multilateral and bilateral initiatives on intellectual property.

IV. Negotiating Objectives and Priorities of IFAC-3

The negotiating objectives and priorities for IFAC-3 reflect those contained in the Trade Act of 2002 (Pub. L. No. 107-210, 116 Stat. 995 (codified at 19 U.S.C. Sec. 3802(b)(4) (2002), trade promotion authority legislation) which also provided the fast-track authority under which this Free Trade Agreement will be reviewed and voted on. Specifically, IFAC-3's objectives and priorities seek to further promote the adequate and effective protection of intellectual property rights on a global basis. To accomplish this goal, the Committee works with the U.S. government to ensure full implementation of not only the substantive obligations in the TRIPS agreement but also the enforcement obligations as well. The enforcement text is assuming increasing importance as countries improve their substantive standards of protection and especially in the context of increasing global trade in information and other innovative and creative products subject to intellectual property protection. The Committee also seeks to ensure that these standards of protection and enforcement keep pace with rapid changes in technology, including establishing that right holders have the legal and technological means to control the use of their works through the Internet and other global communication media, and to prevent the unauthorized use of their works. The Committee seeks to ensure the full range of protections for patented innovations, to eliminate any discrimination against U.S. right holders by any of our trading partners, and to secure deterrent enforcement against piracy, counterfeiting, cyber squatting and other infringements through significant improvements in civil and criminal remedies and penalties. Finally, the Committee seeks to establish strong precedents in these FTAs in order to raise the global level of protection and enforcement globally, nationally and in regional and in multilateral agreements.

The FTA process has become the principal process through which with the IPR-based industries are able to ensure that the standards of protection and enforcement keep pace with new developments.

V. Statement as to Whether Agreement Provides for Sectoral or Functional Equity and Reciprocity

The concept of sectoral equity and reciprocity is not relevant to the development of rules such as those in the chapter on intellectual property. The provisions on intellectual property apply equally to both Parties. IFAC-3 expects that the Central American countries will equitably implement all of the intellectual property-related provisions of this agreement but will not hesitate to recommend U.S. action under the provisions of the dispute settlement chapter should CAFTA member countries' implementation of the agreement fall short of its commitments.

VI. Advisory Committee Opinion on Agreement

Introduction:

CAFTA builds on the standards already in force in the TRIPS agreement, the NAFTA agreement, the Jordan, Singapore and Chile FTAs, updating these standards to take into account the wealth of experience operating under those agreements since their coming into force in 1995, 1992, 2001 and 2003 respectively. It also takes into account the many years of experience gained from bilateral engagement with countries under the Special 301 trade process through which the U.S. Trade Representative has sought to leverage both legal and enforcement reforms in countries posing particular intellectual property problems for U.S. industry and for the U.S. economy. Perhaps most important, CAFTA takes into account the significant legal and technological developments that have occurred since the TRIPS and NAFTA agreements entered into force and mirrors, as closely as possible, the Singapore and Chile FTAs in order to establish clear precedents in most key areas of IP protection for future FTA negotiations. IFAC-3 notes that, in particular, CAFTA is the first to be completed with countries that are not among the more advanced developing countries; indeed some with relative low per capita incomes and lower development levels. That these countries found it in their interest to significantly increase their levels of IPR protection beyond that required by TRIPS is testament to the principle that high levels of protection benefit indigenous creators and inventors in the same manner as they do in developed countries. IFAC-3 urges the U.S. government to keep this in mind when negotiating with countries such as those in the SACU, which have much to gain from maintaining the high levels of protection negotiated to date.

IFAC-3 is also pleased with the provisions affording the Central American countries aid in capacity building to implement these agreements so that they may achieve the agreement's full benefits, in investment, jobs and increased revenue, as early as possible. We applaud the Central American countries for agreeing to higher levels of protection, by incorporating in the agreement all the obligations set forth in the WIPO Copyright Treaty (WCT) and the

WIPO Performances and Phonograms Treaty (WPPT) which are so critical to creating the legal infrastructure for e-commerce, for the distribution and transmission of protected materials over the Internet and for products in digital format generally. In addition, given the economic benefits that the Central American countries will gain from adherence to the Patent Cooperation Treaty (PCT), IFAC-3 welcomes their commitment to accede to the PCT by January 1, 2006.

IFAC-3 welcomes the successful negotiation of CAFTA. While IFAC-3 recognizes that the negotiation of FTAs with individual countries and regions is labor-intensive, especially when compared with the negotiation of a multilateral agreement among the 146 Members of the WTO, FTA negotiations provide the most effective approach currently available to the United States for improving global intellectual property protection. The negotiation of an individual FTA provides the opportunity to deal with specific intellectual property concerns that U.S. industry may have in the particular negotiating partner. Our goal in the negotiation of an FTA is to set a new baseline for all future FTAs, including the FTAA. This baseline is continually reflected in the model FTA agreements which are constantly changing based on what we learn through negotiating each of the FTAs.

IFAC-3 recognizes that, to a large extent, the negotiation of FTAs has become the primary focus of the U.S. trade agenda and supports the use of all policy tools to gain worldwide improvement in intellectual property protection. IFAC-3 urges U.S. negotiators to ensure that FTAs remain part of a coordinated, multi-dimensional program that not only includes multilateral and regional initiatives but also focuses on substandard intellectual property protection and enforcement in countries that are not parties to FTA negotiations.

IFAC-3 views the TRIPS Agreement as reflecting minimum international norms of intellectual property protection that most countries should already have in place. The role of the FTAs is to clarify, where necessary, those obligations and to improve upon them by enhancing the level of intellectual property protection in the negotiating partner.

The FTAs that the United States has negotiated since 1999 have facilitated national implementation of the TRIPS obligations and have provided the vehicle both for improved standards of intellectual property protection and enforcement and for significant clarifications of TRIPS obligations in the FTA partners. The continuum of intellectual property protection that links these FTAs has sent an important signal to future FTA partners about U.S. intellectual property expectations.

IFAC-3 urges the U.S. government to continue to maintain a strong bilateral program to deal with IPR deficiencies in non-FTA countries, many of which are critical markets for our industries and which may never be FTA candidates. It is therefore essential that traditional trade tools such as Special 301, Section 301, the unilateral trade preference programs and WTO dispute settlement be aggressively employed to lift levels of intellectual property protection in those countries. Many of these countries have failed to recognize the clarifications and new standards that U.S. negotiators have been able to achieve in the FTAs, while others may not be implementing these clarifications and new

standards lest they lose bargaining chips in any future FTA with the United States. Further, IFAC-3 notes that negotiating FTAs is highly resource intensive and has an impact on the effectiveness of the overall bilateral program including with non-FTA countries.

While CAFTA contains important TRIPs clarifications and additional protections, industry will only gain the expected commercial benefits from the enhanced intellectual property protection contained in the FTA when the FTA is implemented in a proper and timely manner. IFAC-3 notes with much concern the problems that U.S. industry is already facing in Chile with respect to its implementation of its FTA and urges the United States not only to monitor very closely the implementation by the CAFTA countries of their FTA obligations but also to be prepared to act to ensure proper and timely implementation of those obligations.

IFAC-3 believes that this agreement represents significant progress toward the goals set out above. IFAC-3 supports the CAFTA chapter on intellectual property and commends the U.S. negotiators. Furthermore, it believes that the agreement, on the whole, establishes precedents on most key issues to be included in the other FTAs now being negotiated, including the FTAA. Given the significant commercial implications of alternative levels of protection and enforcement, IFAC-3 wishes to underscore the importance that it attaches to a close working relationship between IFAC-3 and industry, on the one hand, and U.S. negotiators, on the other, in the development of a model FTA intellectual property text, which would form the basis for these other agreements.

IFAC-3 expects that the U.S. will insist, in any future FTA negotiations with countries that have yet to implement fully their TRIPS obligations, they not only do so before the launch of the negotiations, but also, where appropriate, provide a standstill specifically with respect to the approval of generic copies of pharmaceutical products.

The following summarizes the main provisions of the intellectual property text and highlights both the provisions that we believe provide strong protection, and those, which IFAC-3 views as deficiencies.

General Provisions:

These provisions require accession to a number of key treaties and contain the national treatment and other general provisions governing all of Chapter 15, including many of the dates when the Central American countries must bring various treaties into force. In the Singapore FTA, the transition periods between entry into force of the agreement generally and the onset of each obligation in the agreement were relatively short – not exceeding one year. As IFAC-3 reported in its review of the Chile FTA, the transition periods in that agreement were far too long, delaying the benefits of the agreement well into the future, well beyond, in IFAC-3's view, what was necessary given Chile's level of development. The CAFTA transitions fall somewhere in between. With respect to the obligation to join the key IPR treaties, the transitions dates in CAFTA are 2006 (PCT, Budapest Treaty on Microorganisms, UPOV) and 2008 (Brussels Satellite Convention, Trademark Law Treaty). By comparison, the Chile dates were 2007 (PCT) and 2009 (Brussels Satellite

Convention, Trademark Law Treaty and UPOV). A further discussion of transition periods governing specific obligations appears below. While IFAC-3 believes these periods, both with respect to treaties and specific provisions remain too long, we are pleased that they are generally shorter than the unnecessarily long periods granted to Chile.

IFAC-3 is particularly pleased that the carve out from the national treatment obligation afforded to Chile for certain elements of protection for sound recordings and performances was not repeated in CAFTA. CAFTA now affords, like the Singapore FTA, full national treatment without exception. The U.S. has always supported the principle of full national treatment without exception in the intellectual property field and IFAC-3 firmly believes that FTAs should not, under any circumstances, permit trading partners to discriminate against U.S. nationals.

Trademarks

Generally, the trademarks section includes major provisions that should assist trademark owners in protecting trademarks.

Article 15.2.1 requires the Parties to protect collective, certification and sound marks and may extend trademark protection to geographical indications and scent marks. This provision generally follows the text of the Chile FTA and requires greater scope of trademark protection than is in TRIPS.

Article 15.2.2 reaffirms TRIPS Article 20 in that the use of one's trademark shall not be encumbered. Thus, the Article clarifies and enhances existing TRIPS obligations prohibiting interference with the use of trademark rights in products such as pharmaceuticals that are also subject to requirements regarding the use of the generic or common name of the product.

Industry is pleased with the broader scope of protection that will be required for well-known marks under 15.2.5. Similar to the Singapore and Chile FTAs, this Agreement extends protection of well-known marks to dissimilar goods and services, whether registered or not, with the proviso that the expanded protection is based on an association between the goods/services and the owner of the well-known mark and when the interests of the trademark owner are likely to be damaged. In view of the frequency of infringements of well-known marks, the ability of well-known trademark owners to protect their marks on unregistered and dissimilar goods and services is critical to protecting these valuable assets.

Although this Agreement provides for greater scope of protection for well-known marks in 15.2.5, this Agreement does not meet the same level of protection for such marks as found in the Chile FTA. This Agreement does not have a provision that provides for owners of well-known marks to prohibit or cancel trademark registrations of marks that are identical or similar to the well-known mark. Rather the Agreement contains only the general provisions for opposing or canceling a registration with no specific mention regarding well-known marks.

Article 15.2.7 makes strides toward office automation and greater use of electronic means to interact with trademark officials and the establishment of accessible trademark databases.

The elimination of the requirement of trademark license recordals (Article 15.2.10) is a positive development. This change means that trademark owners and licensees can take steps to protect and enforce trademarks without unnecessary administrative hurdles. It eliminates an administrative requirement that has been a diversion of resources. This Article improves on the Chile text given the absence of such a provision in the Chile FTA; although the Singapore FTA does eliminate the trademark recordal requirement.

Domain Names on the Internet:

CAFTA provides two provisions regarding domain names: Article 15.4.1 requires that each Party shall provide for Uniform Domain Name Dispute Resolution Procedures for the country-code top level domains (ccTLDs) of the Parties. Article 15.4.2 requires each Party to provide public access to “reliable and accurate” contact information for each domain name registrant. These provisions combine to combat the problems of copyright and trademark cyber-piracy and are welcome. IFAC-3 prefers, however, (and mentioned this in its Chile FTA report) that there be a direct reference to the “Whois” database and any additional contact information elements as available in the gTLDs namespace. Inclusion of this direct reference would clarify the type of information this database must contain. Reference to “Whois” was included in the Singapore FTA.

IFAC-3 wishes to underscore that the provisions regarding the establishment of Uniform Domain Name Dispute Resolution Procedures for ccTLDs in CAFTA address only trademark cyber-piracy, and not other alleged abuses such as the use in domain names of geographic terms. IFAC-3 commends the fact that challenges based upon the use of geographic terms as, or as part of, a domain name are not included.

The CAFTA provision also contains an extra sentence not appearing in either the Singapore or Chile FTA reading that, with respect to contact information, “due regard may be given to the Parties’ legislation protecting the privacy of its nationals.” IFAC-3 is concerned that this provision might be used to limit or restrict right holders access to an accurate Whois database.

Geographical Indications

The CAFTA text provides a clear framework for the procedures involved in the registration of geographical indications and establishes the proper relationship between geographical indications and trademarks.

The CAFTA text, as with the Chile FTA, has a more extensive provision on geographical indications than does the Singapore text. As such, it builds upon and clarifies that language. Like the Singapore FTA and the Chile FTA, the CAFTA text includes a provision (Article 15.2.3 of the Trademark Section) that requires that the owner of a registered trademark must have the right to prevent the use, in the course of trade by third parties, of confusingly similar signs, including geographical indications. The CAFTA text, like the Chile FTA

text, then improves upon this language by also including a specific provision which would prohibit the protection or recognition of a geographical indication that is confusingly similar to a previously used, applied for or registered trademark, thereby unequivocally protecting prior trademarks against later geographical indications (Article 15.3.7). This is consistent with U.S. law and policy on the subject of the relationship of geographical indications and trademarks and is also consistent with the TRIPS agreement. As with the Chile FTA, to the extent that it lends clarity to the issue, it is a welcome addition to the Singapore FTA language.

The CAFTA text includes a footnote (footnote 7) stating that it is understood that each Party already has established grounds for refusing protection of a trademark if it is confusingly similar to a protected geographical indication. While this footnote is unnecessary, as the Parties' existing laws are what they are and need not be recognized by this footnote, IFAC-3 is concerned about the risk that a Party could look to the footnote as providing substantive rights. IFAC-3 urges U.S. negotiators to avoid footnotes of this nature in future negotiations, although its removal is not critical in this instance.

IFAC-3 also supports the CAFTA text because it requires a very systematic and fair opportunity to object to the protection of geographical indications. One of the major problems with the protection of geographical indications is the lack of a clear mechanism to determine whether a geographical indication should be granted protection. CAFTA, as with the Chile FTA, provides clear language requiring such a mechanism.

Finally, the text broadens the definition of a geographical indication to allow for the protection of geographic indicia other than the actual names of geographic places (such as the outline of a state). This provides the opportunity to protect geographic indicia as geographical indications, which will benefit those organizations that seek such protection. Provided that the above-mentioned relationship between trademarks and geographical indications remains clear, the broadened definition for geographical indications is likewise welcome.

Copyright and Related Rights and the Protection of Certain Satellite Signals

The United States is the world's largest producer and exporter of copyrighted materials and at the same time loses more revenue from piracy and other inadequate copyright protection than any other country in the world. High levels of copyright protection and effective enforcement mean more revenue and more higher-paying jobs benefiting all Americans. The copyright industries account for over 5% of U.S. GDP and have employed new workers at over three times the rate of the economy as a whole over the last 25 years.

Industry's goal for the CAFTA intellectual property negotiations, like its goal for the Singapore and Chile FTA, was to achieve a level of protection that in some areas improved on the standards in TRIPS and NAFTA and, in others, clarified provisions in those agreements. In addition, it was critical to achieve the Central American countries agreement to fully implement the provisions of the WCT and WPPT along the same lines as the U.S. had in the DMCA in 1998. Finally, industry and the U.S. negotiators sought to clarify and build upon provisions of the TRIPS enforcement text in light of the U.S. copyright industries' wide experience with copyright enforcement globally. This objective

was, in almost all instances, achieved.

The first improvement sought was to ensure that the level of protection in the Central American countries and in many other countries for record producers and performers, relegated to second-class citizenship under “related” or “neighboring” rights regimes, moved much closer to the protection afforded other subject matter receiving Berne Convention levels of protection. While the Singapore FTA combines authors’ and related rights in one section, the Chile FTA to some extent perpetuated this dichotomy. CAFTA, however, returns to the formulation in the Singapore FTA. With digitization of all works and their transmission over the Internet becoming more important daily, the continued treatment of sound recordings in a manner different from other protected works no longer can be justified. IFAC-3 is pleased that the Chile formulation was not repeated and that it hopefully will not be perpetuated in any future FTA.

While the text repeats some obligations already contained in the TRIPS agreement without change, other language has been clarified, particularly in the enforcement text. The CAFTA text does, however, contain detailed provisions that require implementation of the new obligations provided in the WCT and WPPT, to which both Parties to the agreement are now members. These include:

- Clear language assuring that temporary and transient copies (such as those made in the RAM of a computer) are nevertheless copies and fully subject to the reproduction right. This treatment is critical in a digital, networked world in which copyrighted material can be fully exploited without a permanent copy ever being made by the user (Article 15.1.1);
- The right to control any technological manner of transmitting works, including interactive transmissions over electronic networks like the Internet, with only minor exceptions for analog performances and broadcasts of sound recordings and performances recognized in U.S. law (Articles 15.6 and 15.7.3);
- The requirement that the CAFTA countries implement protection for technological protection measures (TPMs) used by right holders to protect against unauthorized access and exploitation of their works to do so in virtually the same manner as did the U.S. in the DMCA in 1998. In addition, the text provides for a list of narrowly crafted exceptions – in close consistency with how the U.S. Congress approved those exceptions in U.S. law. (Article 15.5.7). We applaud the negotiators for curing some of the disturbing omissions from the Chile FTA text.
- Full implementation of the WCT and WPPT provisions on prohibiting the removal or alteration of electronic rights management information along the lines set out in the DMCA (Article 15.5.8);
- The implementation of those specific provisions of the WPPT that seek to harmonize the rights afforded sound recordings with most of those rights afforded all other protected works. (Article 15.7);
- A repetition of the three-step test for circumscribing the scope of exceptions to copyright protection found in the TRIPS Agreement and the WCT and WPPT (Article 15.5.10(a));

- Reiteration of the TRIPS and WIPO treaties' obligation ensuring the full term of protection for pre-existing works (Article 15.5.5)

Other key provisions (and omissions and deficiencies) clarifying, or in some cases going beyond, the existing TRIPS obligations include:

- In a major advance, and continuing the precedents established in the Singapore and Chile FTAs, CAFTA countries have agreed to extend their terms of protection closer to that in the U.S.—to life of the author plus 70 years for most works. While industry sought to have the term of protection for sound recordings and audiovisual works extended from 50 years from publication to a term matching the U.S. law's 95 years, a compromise was struck at 70 years. We urge that future agreements move that level to the full 95 years (Article 15.5.4);
- The text includes a provision (Article 15.5.3) that makes clear that there is no hierarchy of rights between those of authors and those of record producers. This is a welcome clarification of dangerous provisions in some Latin American copyright laws (such as in Chile) and sets a good precedent with other Latin countries and in the FTAA;
- The language that appears in the Singapore (but not the Chile) FTA ensuring that countries cannot subject retransmission of television signals to a compulsory license has been returned to the CAFTA text (Article 15.5.10(b)). This is an important advance for Latin America;
- Unfortunately, the text does not contain a provision which follows U.S. law (17 USC §602) providing for the right of a copyright owner to prevent parallel imports of its products manufactured outside a CAFTA member country that are not intended for distribution in that country. The failure to obtain such important protection is a deficiency in the copyright text;
- The text incorporates the important “contractual rights” provisions originally from the NAFTA agreement (also contained in the Singapore and Chile FTAs) ensuring that CAFTA countries will give effect to transfers of rights and the treatment of monetary benefits resulting from such transfers that are contained in U.S contracts. The NAFTA provision was intended to safeguard the freedom of contract and to ensure that a country may not pass laws that undermine the intent of the parties to such contracts;
- The text contains an all-important requirement that the two governments issue decrees or other similar orders mandating use of legal software by government agencies. The U.S. has already issued such an Executive Order and it is critical for all governments, CAFTA members included, to ensure that their software use is fully licensed and that effective software management systems are established (Article 15.5.9);
- Finally, the substantive text adds provisions, based upon a similar provision in the NAFTA, protecting against the theft of encrypted satellite signals and the manufacture of and trafficking in tools to steal those signals. The Singapore FTA made it a criminal offense to manufacture and trade in these tools and to “receive or further distribute” such encrypted signals. The Chile FTA, rather than

subjecting all these acts to both civil and criminal liability as in the NAFTA text and in the Singapore FTA, permitted Chile to subject them to either civil or criminal liability. The Chile text was also drafted in a manner that the right holder or person holding an interest in the encrypted signal must prove that the act was done willfully to even subject the offender to civil liability. The CAFTA text fortunately returns to the Singapore formulation establishing both criminal and civil liability and removes the willfulness requirement. However, the CAFTA text does not make it a criminal offense to “receive or further distribute” such encrypted signals, as in the Singapore FTA, but only to “receive and further distribute” them. (Article 15.8.1(b). IFAC-3 strongly prefers the Singapore formulation.

Other than the shortcomings noted, the substantive copyright text achieves all that U.S. industry sought in this negotiation and the negotiators are to be commended in achieving this most important result.

Patents

IFAC-3 notes that strong and effective patent regimes provide a legal framework for the protection of ideas. As a general rule, the level of patent protection found in the industrial countries, and especially the level of patent protection found in the United States, provides an appropriate level of incentives for innovation. IFAC-3 believes that it should be the U.S. objective in the FTA negotiations to ensure that our negotiating partners adopt a level of patent protection comparable to that found in the United States. It is in light of these objectives that IFAC-3 provides its comments on the provisions relating to patents and to measures related to certain regulated products that are contained in the recently completed FTA with the Central American countries.

Under the TRIPS Agreement, CAFTA Members were required to have implemented TRIPS-consistent standards for patent and other intellectual property no later than January 1, 2000. To date, they have not done so. IFAC-3 wishes to underscore its disappointment that U.S. negotiators had not insisted that the Governments of the CAFTA countries implement their TRIPS obligations before the launch of the FTA negotiations. This has resulted in double payment by the United States for intellectual property protection that the CAFTA countries should have had in place on January 1, 2000.

Given the US decision to dock the Dominican Republic to CAFTA, IFAC-3 believes that USTR should insist that the Dominican Republic take steps to address the continuing practice, which is totally inconsistent with its TRIPs patent and data exclusivity obligations, to approve copies of products that were supposed to have been granted patent and data protection. These copies remain on the market to this day. In other words, the Dominican Republic should not be allowed to capitalize on its failure to implement its TRIPS obligations properly and in a timely manner. To this end, IFAC-3 calls on U.S. negotiators to insist that the Dominican Republic not approve copies of products based on approved pioneer drugs that should have been granted market

exclusivity under the TRIPS Agreement during the forthcoming docking negotiations.

Furthermore, IFAC-3 believes that, as a general rule, future implementation problems with respect to all FTAs will be minimized by the use of, where possible, simple, straightforward language. Such language will help avoid any later misinterpretations of the FTA intellectual property obligations by governments of less-than-goodwill that seek to undermine those obligations.

The patent section of CAFTA provides a number of clarifications and improvements to the protection standards articulated in the TRIPS Agreement. Once implemented, these standards will improve the effectiveness of patent protection in the CAFTA countries. These additional protections are welcome but fall short of the additional elements contained in the patent section of the Singapore FTA and the recently-completed Moroccan FTA.

The commitment of the e Central American countries, in Article 15.1.3, to accede to the WIPO Patent Cooperation Agreement (1970) will reduce the costs of gaining patent protection in those countries through the filing of a single patent application under the PCT. Adherence of the CAFTA countries to the PCT will provide numerous administrative benefits for U.S. patent holders. For example, it will allow U.S. patent holders to use the 30 month period following an initial filing in the U.S. or in the European Patent Office before further action and fees are required in CAFTA. It will also allow patent holders to avoid complications from unique application requirements—most PCT members accept a PCT-formatted and compliant application without additional formal requirements. Given the economic benefits that countries will gain from adherence to the PCT, IFAC-3 welcomes the commitment made by these countries to accede to the PCT by January 1, 2006, which represents a stronger commitment to PCT accession than Chile provided in its FTA, when it agreed to accede to the PCT by January 1, 2007.

IFAC-3 recognizes the significance of CAFTA's commitment to ratify or accede to the UPOV Convention (1991) by January 1, 2006 or, in the case of Costa Rica, by June 1, 2007. IFAC-3 welcomes the willingness of the CAFTA countries to provide some form of effective protection for plants either through patent protection or membership in the UPOV Convention (Article 15.1.5). IFAC-3 also notes that footnote 1, which relates to the breeder's right under the UPOV Convention (1991) is simply a reiteration of the relevant provisions found in UPOV and does not add any new obligations on either Party to CAFTA.

IFAC-3 welcomes the pledge made by the CAFTA countries to “undertake all reasonable efforts” to make patent protection for plants available by the date the agreement enters into force. This will make available patent protection for transgenic plants that are new, involve an inventive step and are capable of industrial application (Article 15.9.1 & .2). IFAC-3 notes that this is a significant improvement over the commitment that Chile made in its FTA that it would “undertake reasonable efforts, through a transparent and participatory process, to develop and propose legislation within four years from the entry

into force” of the agreement. Nevertheless, while CAFTA’s commitment to limit the application of the biotechnology exclusion currently found in TRIPS Article 27.3(b) is welcome, IFAC-3 is disappointed that the FTA does not explicitly require CAFTA to implement patent protection for transgenic animals. IFAC-3 notes that the United States provides for the patenting of animals that are new, involve an inventive step and are capable of industrial application and that the Singapore FTA requires the patenting of both transgenic plants and animals. IFAC-3 also urges the U.S. Government to ensure that the commitment made by CAFTA results in reforms to their patent systems as soon as possible.

CAFTA restricts, in Article 15.9.4, the grounds for the revocation of a patent to those limited to the patentability of the invention. Notwithstanding that IFAC-3 is disappointed that it does not require CAFTA countries to also provide that fraud, misrepresentation or inequitable conduct may be the basis for revoking, canceling or holding a patent unenforceable, it urges the U.S. Government to work with the CAFTA governments in the implementation of this provision to ensure that it is consistent with U.S. practice. For example, the possibility of preventing enforcement of a patent due to actions that are found to constitute inequitable conduct should be limited to acts that are material to the patentability of the invention. Since CAFTA countries are already members of the Paris Convention, IFAC-3 notes that the reference to the obligations contained in Article 5.A (3) of the Paris Convention does not add or detract from the obligation contained in the FTA Article 15.9.4.

IFAC-3 notes that, while the Central American countries do not prohibit third party opposition to the grant of patents prior to the issuance of the patent, industry has not found the practice in these countries to have led to the type of inordinate delays in patent grant that is found in other countries with pre-grant opposition. IFAC-3 expects that US negotiators will continue to include the prohibition of pre-grant opposition in all future FTAs where the potential for abuse exists

CAFTA places restrictions, in Article 15.9.5, on how a third party may use a patented invention to generate data needed for the marketing approval of generic pharmaceutical products (so-called Bolar-type use) by limiting its use specifically for purposes related to meeting the marketing approval requirements, and if export of the generic pharmaceutical product is permitted, the product shall only be exported outside the territory of the Party for purposes of meeting marketing approval requirements of that party. In view of the corresponding obligation to extend the term of a patent to compensate for lost effective patent term due to the regulatory approval of a new drug, these restrictions generally reflect U.S. law and practice.

CAFTA recognizes, in Article 15.9.6, the delays that patent owners face in the issuance of their patents by the patent office and requires patent term adjustments to compensate for these delays. CAFTA countries, with the exception of El Salvador, will have one year from the date the FTA enters into force to implement this provision. In this regard, IFAC 3 notes that, with the exception of this provision and the timelines for joining the international intellectual property agreements, CAFTA countries are required to meet all

their obligations with respect to patents and certain regulated products when the FTA enters into force.²

The FTA requires (in Article 15.9.7) CAFTA countries to treat public disclosures of an invention that occur within 12 months prior to the filing date of the application in a CAFTA country to be non-patent defeating. The formulation requires the pre-filing disclosure of the invention to have emanated in some form from the patent application, which is a slightly narrower authority than U.S. law.

Articles 15.9.8 through 15.9.11 provide procedural definitions that will facilitate patent examination and ensure the transparency of that process. IFAC-3 notes that the inclusion of these procedural definitions is an improvement over the Chile FTA, which did not include similar language.

While IFAC-3 welcomes the above-mentioned FTA patent provisions, it also notes that CAFTA fails to include a number of additional patent protections that are contained in the Singapore FTA. These include:

- The absence of an explicit obligation concerning the making available of patents on all forms of new, non-obvious and useful inventions;
- Explicit restrictions on a country's authority to grant compulsory licenses to situations that are needed to remedy anti-trust violations; national emergencies or other circumstances of extreme urgency; and to govern situations of public non-commercial use;
- Requiring each country to provide effective legal means to enable a patent owner to prevent the unauthorized importation of goods put on another market by it or its agent. The Singapore FTA ensures that a patent owner can prevent the international exhaustion of patent rights via a right of action to enforce contractual provisions that are violated outside the territory of Singapore;
- As already mentioned above, providing a ban on pre-grant opposition.

IFAC-3 believes that it is critical that future FTAs include, at a minimum, the additional patent protections found in the Singapore FTA.

Measures Related to Certain Regulated Products

The provisions of CAFTA clarify the obligations contained in TRIPS Article 39.3 with respect to data exclusivity and provide for additional protection with respect to pharmaceutical products subject to a patent. While this provision on data exclusivity does not impose any additional obligations beyond those contained in TRIPS Article 39.3, it does serve to clarify the intent of the negotiators of the TRIPS Agreement.

To give effect to the data exclusivity obligations of Article 39.3 of TRIPS, CAFTA

² [The CAFTA text inadvertently applies the transition to Article 15.9.5, but, according to USTR negotiators, it applies to Article 15.9.6.]

imposes an obligation of “non-reliance” on either the pioneer approval or the pioneer data package itself for a period of at least five years from the date of approval for a pharmaceutical product and ten years from the date of approval for an agricultural chemical product. (Article 15.10.1(a))

In addition, CAFTA explicitly provides protection in cases where regulatory approval is conditioned on the demonstration of prior marketing approval in another territory by requiring the deferral of the date of any marketing approval to third parties not having the consent of the party providing the information in the other territory for a period of at least five years from the date of approval for a pharmaceutical product and ten years from the date of approval for an agricultural chemical product in CAFTA or in the other territory, whichever is later. IFAC-3 notes that, it was at CAFTA’s insistence that they be permitted to require the originator pharmaceutical company to seek the marketing approval in CAFTA within five years after obtaining marketing approval in the United States. IFAC-3 believes that, under normal circumstances, the five year cap will not prejudice the interests of U.S. pharmaceutical originators so long as it is understood that the five-year obligation means that the U.S. originator would only have to start the effort to get marketing approval within that period of time to qualify for the protection and that any subsequent delays by CAFTA health authorities in the grant of marketing approval would not adversely affect the protection. (Articles 15.10.1(b))

CAFTA seeks to ensure that the term “new product” that is used in Article 15.10 is not confused with the “novelty” requirement for patentability found in Article 15.9.1 that an invention must be “new.” IFAC-3 welcomes the regulatory-related definition of a “new product” contained in Article 15.10.1(c) as being a product that does not contain a chemical entity that had been previously approved in CAFTA as providing an important clarification of the term “new chemical entity” found in TRIPS Article 39.3.

Article 15.10.1(d) essentially clarifies the obligation found in TRIPS Article 39.3 that, if a government or a government entity (in this case, CAFTA) discloses undisclosed information provided by the originator for gaining marketing approval of a pharmaceutical or agricultural chemical product, it shall protect the information from unfair commercial use, by specifically providing that such protection must be done in a manner set forth in Article 17.10.1, that is, through non-reliance. IFAC-3 notes that, in and of itself, information accessible within the public domain on the efficacy and safety of particular pharmaceutical products is not sufficient to gain marketing approval without reliance on the undisclosed information provided by the originators to the regulatory authorities.

While these provisions on data exclusivity do not impose any additional obligations beyond those contained in TRIPS Article 39.3, they do serve to clarify the intent of the negotiators of the TRIPS Agreement.

CAFTA also imposes a second set of obligations that provides patent term restoration for the unreasonable curtailment of the patent term as a result of the marketing approval process (Article 15.10.2); prohibits generic drug approvals during the term of the patent

covering the pharmaceutical product (i.e., “linkage”); and requires the mandatory disclosure of the identity of the generic applicant that seeks marketing approval to enter the market during the patent term. (Article 15.10.3)

IFAC-3 welcomes these provisions with respect to certain regulated products contained in CAFTA but notes its disappointment that CAFTA does not explicitly restrict the CAFTA countries from terminating the data protection period with the expiration of the underlying patent, which is contained in the Singapore FTA. Nor does CAFTA include additional periods of non-reliance for new clinical information (other than information related to bioequivalency) or evidence of prior approval of the product in another territory that requires such new information, which is essential for the approval of a pharmaceutical product that uses a previously approved chemical component.

Enforcement

IFAC-3 wishes to underline the importance that it attaches to the effective enforcement of the full panoply of intellectual property rights afforded in this agreement, which build upon the existing enforcement obligations in the TRIPS agreement. The updated protections afforded in this agreement will be of little value to U.S. companies without the capability and willingness of the CAFTA governments – any government for that matter – to enforce those standards, particularly against commercial piracy, counterfeiting and other infringements that cause such a drain on the U.S. and Central American economies.

Today, eight years after the WTO TRIPS enforcement obligations became effective in the developed world, and four years after those enforcement obligations became binding in the developing world, the U.S. creators, companies and industries which should be benefiting from TRIPS continue to suffer billions of dollars in losses due to global piracy, counterfeiting and other infringements of the rights provided in TRIPS (and in the various FTAs) – primarily due to ineffective enforcement by these trading partners. While, for the most part, the substantive provisions of the TRIPS agreement have been implemented in these countries, it is crystal clear that the enforcement obligations are not being met by many countries. The continued development and importance of new technologies, such as the Internet, and the accompanying greater ease with which piracy and counterfeiting can be accomplished, have made this situation even more acute. In addition, the alarming increase in the international trade in counterfeit pharmaceutical products is raising public health concerns, especially in developing and least developed countries. It was the objective of the U.S. government, of IFAC-3 and of the entire U.S. intellectual property community to use the opportunity offered by the FTA process (the Doha Round in the WTO will not be considering changes in the TRIPS enforcement text) to use our enforcement experience over this period to improve and strengthen these enforcement obligations, with the goal of having them adopted on a global basis.

IFAC-3 notes that this task was particularly challenging since governments are most reluctant to bind themselves to specific performance standards in the area of enforcement. But it is precisely the day-to-day operation of the enforcement system and its ability to “deter further infringements” (the TRIPS standard) which will bring back to the U.S. and to other

countries the billions of dollars lost globally to rampant piracy and counterfeiting, including counterfeiting of pharmaceutical products.

CAFTA makes some significant advances toward this goal, but again the proof will lie in the implementation of these new standards on the ground in each country, by police, prosecutors, judges and administrative agencies responsible for enforcement and implementation of the intellectual property rights protected in TRIPS and CAFTA.

Some of these advances (clarifying or building upon existing TRIPS standards) and some areas where needed improvements were not achieved include:

General Obligations

- These general provisions clarify and expand, for the most part, existing TRIPS obligations;
- Article 15.11.2(b) clarifies an existing TRIPS obligation, that decisions by a country on how to distribute enforcement resources among different areas, including intellectual property enforcement, does not excuse a country from meeting its “deterrence” and related obligations under the agreement;
- Article 15.11.4 requires both parties to publicize information “that each party may collect” with respect to their enforcement efforts including making available enforcement statistics, if kept by each country. The keeping and publicizing enforcement information is a key to deterrence and permits industry and governments to evaluate performance and educate the public about the importance of intellectual property rights, and the risks attendant upon their infringement. IFAC-3 would prefer that this obligation be stronger, including provisions that would “require” the keeping of statistics on cases brought and outcomes reached;
- Article 15.11.5 is a significant advance for the copyright industries. This provision lays out detailed presumptions that must be implemented in national law concerning the subsistence and ownership of copyright in all protected subject matter. Proving these preliminary issues in court, without the benefit of presumptions, makes enforcement more difficult, expensive and causes long and unnecessary delays, all to the detriment of expeditious and effective enforcement against the run-of-the-mill piracy and counterfeiting that causes most losses globally.

Civil and Administrative Procedures and Remedies

- Article 15.11.7 clarifies and expands upon TRIPS obligations, making clear that civil damages, at least in the area of copyright and trademark piracy and counterfeiting, must actually compensate the right holder for the damages suffered, including payment of the infringer’s profits. Most important, it requires the courts to “consider” the suggested retail price of the legitimate product being infringed upon as a measure of the loss to the right holder. How damages are measured is a key to the deterrence of the enforcement system and industry would prefer less ambiguous language mandating that damages be “based on” such legitimate price, which seems to be the intent of the provision;
- Article 15.11.8 establishes a system of statutory (or “preestablished”) damages, only an optional remedy in the TRIPS agreement. The difficulty of proving “actual” damages in

a piracy or counterfeiting case is well known; the U.S. has long had a statutory damages regime. It is a major goal of industry to see an effective statutory damages regime established in every country. While the Singapore FTA, like U.S. law, permits the rightholder to elect between statutory damages and proving actual damages, CAFTA requires the set up of a statutory damages system, but leaves it to the judges to determine when and if to use it. The text establishes no standard as to when they will be used, and IFAC-3 hopes that this provision will be implemented in a manner where statutory damages are awarded in the appropriate cases where they would be chosen by the right holder. We note that this obligation is even weaker than in the Chile FTA, where right holder election was permitted. We also note that the text retains the Singapore FTA language that statutory damages be “sufficiently high to constitute a deterrent to further infringements,” though again it is conditioned on the judge’s exercise of discretion. It is a reference to the deterrence standard that is one of the key elements of an effective enforcement system;

- Articles 15.11.9-11 elaborate on, and unfortunately do not make mandatory in every case, many discretionary remedies from the TRIPS Agreement. Article 15.11.9 provides for mandatory payment (except in exceptional circumstances) of reasonable attorney’s fees to the prevailing party; Article 15.11.10 makes clear the right of judicial authorities to order the seizure of suspected infringing goods, implements and other materials (and IFAC-3 hopes that this obligation will be interpreted to authorize courts to require the police to seize all infringing goods found at a site, even if not named specifically in a warrant). This provision only mandates the seizure of documentary evidence in trademark counterfeiting cases and IFAC-3 believes this obligation should extend to copyright piracy as well. Article 15.11.11 gives the authority to the court of order the destruction of infringing goods, but only “at its discretion.” IFAC-3 strongly prefers the formulation that the goods be destroyed at the right holder’s request with the judge having discretion to refuse to order destruction only in “exceptional circumstances.” In the Chile FTA, the text permitted such goods to be donated to charity under certain circumstances. This agreement prevents this from happening in the case of copyright piracy, except where authorized by the right holder and limits such donations strictly in trademark counterfeiting cases. Unlike the Chile FTA, this article mandates the destruction of implements used in the infringement and permits disposal outside the channels of commerce only in “exceptional circumstances.” However this “mandatory” obligation remains limited (as in the Chile FTA, but not in the Singapore FTA) to the judge being able to take into account the gravity of the infringement and the interests of third parties that may have an interest in the equipment. This latter is subject to abuse and IFAC-3 prefers the Singapore formulation.
- Article 15.11.12 mandates that courts have the authority to order the infringer to identify other accomplices, suppliers and other third parties involved in the infringement at the risk of fines or imprisonment for failure to do so. The latter is particularly critical given the role that organized crime plays in today’s piracy and counterfeiting.
- Article 15.11.14 extends the panoply of civil remedies to circumventing technological protection measures and tampering with rights management information but limits some of the remedies inappropriately. Statutory damages are not at the election of the right holder but in the judge’s discretion. Destruction of devices remains in the judge’s discretion instead of being mandatory, except in exceptional circumstances;

- Article 15.11.16 adds that, if expert witnesses are required by the court and must be paid for by the right holder, the charges be related to the work performed, and not deter recourse to such relief. This seeks to remedy abuses found in many countries.

Provisional Measures

- Article 15.11.17 reflects the TRIPS requirement for *ex parte* provisional relief in civil cases and requires that such orders be issued “expeditiously.” Quick *ex parte* search orders are critical to meaningful civil enforcement against infringements. Industry prefers that this provision contain a more precise guideline for the time period for a search order request to be acted upon or denied, such as within 10 days, except in exceptional circumstances;
- Article 15.11.18 again builds upon TRIPS by providing that any security required of the plaintiff be “reasonable” and not “deter” recourse to these procedures (experience in many countries is that the right to require bonds and security has been abused).

Special Requirements Related to Border Measures

- Article 15.11.20 permits the competent authorities to require information from right holders seeking border measures sufficient to establish a *prima facie* case of infringement. The text does, however, indicate that this additional information should be what can reasonably be expected to be known to the right holder. Industry hopes that the inclusion of this language will prevent unreasonable information requests that render the provisions impracticable. Industry would have preferred additional text that made explicit that upon acceptance of applications for border measures, enforcement measures would be effective for a minimum of one year, conditioned on the relevant intellectual property still having effect for that period of time;
- Article 15.11.22 requires that the competent authorities have the power to order the infringers to provide the right holder with information regarding the consignee, consignor and importer of infringing goods. IFAC-3 welcomes this change (also in the Singapore and Chile FTAs) and notes that TRIPS does not require that the competent authorities have this power;
- Article 15.11.23 streamlines the border enforcement measures and clarifies and improves border enforcement powers found in the TRIPS Agreement. First, the Parties must provide for enforcement at the border without any formal complaint filing requirements. Second, the competent authorities must have the authority to initiate actions *ex officio* relating to suspect shipments being imported, exported or moving in-transit;
- Article 15.11.24 outlines the treatment and disposition of pirate and counterfeit goods found by the authorities at the border. Unlike TRIPS, this agreement outlines these measures and indicates that counterfeit and pirate goods shall be destroyed except in exceptional circumstances. It strengthens the disposition requirements for trademark counterfeit goods, clearly indicating that the simple removal of unlawfully affixed trademarks is not sufficient to permit release into channels of commerce and that, in no event, shall authorities permit export of counterfeit or pirated goods. These requirements also appear in the Singapore and Chile FTAs.

Criminal Procedures and Remedies

- Article 15.11.26 again builds on the TRIPS provisions in this area. For the copyright and trademark industries, criminal remedies and effective border measures are key to reducing losses globally. The critical concept of piracy or counterfeiting “on a commercial scale” is clarified to include infringing acts without a profit-motive or commercial purpose but which cause damage “on a commercial scale” – the proper reading of this term in TRIPS. Thus, even where the person posting infringing material on the Internet is not charging the downloader/viewer/listener, such acts cause great damage to those right holders and must be covered. The text in Article 15.11.26 includes this concept (as does the NET Act in the U.S.). IFAC-3 is pleased that criminal liability pertains in this context wherever there is more than *de minimis* financial harm. However, IFAC-3 objects to limiting criminal liability for piracy and counterfeiting for purposes of commercial advantage or private financial gain to infringements that are “significant.” This limitation would potentially permit the creation of high thresholds for criminal liability—a potential which does not exist in any of the other FTAs completed to date. IFAC-3 urges the elimination of this limitation in future FTAs.
- Article 15.11.26(a) seeks to reach one of the most serious problems for right holders globally – the failure of judges or other enforcement authorities to actually impose penalties at a level that effectively deters further infringements. The text is more specific with respect to the remedies that must be available but the language on actual imposition of penalties is not limited to Executive “encouragement” that deterrent fines be imposed (as in the Singapore FTA); it provides that the penalties in the law simply be “sufficient to provide a deterrent to future acts of infringement.” The text further requires the creation of policies and guidelines (including sentencing guidelines) that encourage such imposition of deterrent penalties. Industry would still prefer even stronger language in this area and, in particular, urges CAFTA countries to adopt sentencing guidelines that are tailored to ensure deterrence;
- Article 15.11. 26(b) deals with the endemic problem of the seizure by authorities of only product and implements named in a search order even though other clearly infringing products are at the search site. The language agreed upon is still somewhat limited and requires seizure of all product within the “general categories” in the search order. Search orders in many countries are written too narrowly and it remains ambiguous whether this provision would require seizure of pirate videogames, music, software or books found in a search requested by the movie industry looking for pirate DVDs, videos etc. It is incumbent upon right holders, judges and the governments implementing this provision to permit broad search orders that facilitate seizures of all pirate and counterfeit material found at a raid site. The provision also requires the seizure of implements used in committing the offense, and the seizure of assets and documentary evidence without qualification. This is an advance on a weaker Chile FTA text;
- Article 15.11.26(c) expands on TRIPS and requires destruction of counterfeit and pirated goods, assets traceable to the infringing activity and, with respect to copyright piracy, any implements or other materials used in accomplishing the infringement. However, in view of the magnitude of product counterfeiting, industry prefers that the destruction of materials and implements be extended to those used for production of counterfeit trademarked products;
- Article 15.11.26(d) requires the appropriate authorities to act *ex officio* against piracy and counterfeiting. Many countries require a right holder to submit a formal complaint.

This requirement is a major enforcement impediment and should be eliminated on a global basis. All countries should recognize that piracy and counterfeiting are “public” crimes. It is hoped that this provision will be read to be an explicit mandate for criminal authorities to so act.

Limitations on Liability of Service Providers

- Article 15.11.27 governs the key issue of the liability of, and limitations on the liability of, service providers that are involved in the hosting and transmission of infringing material over their facilities. The result of the negotiation follows what was achieved in Singapore, Chile and Australia and is an excellent set of provisions that establishes the basic functional equivalent of the concepts and provisions embodied in U.S. law as found in Section 512 of the DMCA. We commend the negotiators for obtaining these specific obligations. IFAC-3 believes it is essential that these provisions be replicated in other FTAs, if U.S. protected material is to find its way safely into global e-commerce to the great benefit of the U.S. economy and to U.S. jobs. The only concern is to ensure that in implementing the “limitations” on liability provided in the agreement, CAFTA also ensure that it fully implements the obligation to have in place a system of potential liability of ISPs in the first place, as is envisioned in the first sentence of Article 15.11.27. Having in place a system of potential liability of ISPs is the key to ensuring the cooperation that is essential to making the Internet safe for the transmission of protected copyright products.

Transitional Provisions

The following chart summarizes the various transition periods for the individual CAFTA countries and compares them to those found in the Chile FTA. IFAC-3 objected strenuously to the unnecessarily long transition periods in the Chile FTA and is gratified that shorter, and more specific, transition periods were concluded with CAFTA countries. Nevertheless, IFAC-3 continues to believe that these periods remain too long.

ISSUE IN CAFTA IPR CHAPTER	COSTA RICA	EL SALVADOR	GUATEMALA	HONDURAS	NICARAGUA	CHILE FTA
TRADEMARKS						
15.2.1 – trademark definition and scope			2 years	2 years		2 years for the entire Chile FTA sub-chapter 17.2 on trademarks
15.3.7 – relationship between trademarks and geographical indications	2 years		2 years	2 years	2 years	2 years for provisions on geographic indications (Articles 17.4(1)-(9))
DOMAIN NAMES						
15.4 – domain names on the internet (general)			2 years	2 years	2 years	
15.4.1 – domain names on the internet, requiring management of ccTLD includes dispute settlement procedures based on UDRP principles	1 year					
COPYRIGHT & RELATED RIGHTS						
15.5.4 – term of protection for copyrighted materials			6 months			
						2 years on temporary copies (Articles 17.5(1) and 17.6(1))
						4 years regarding the right of communication to the public and non-interactive digital transmissions for performers and producers of phonograms (Article 17.6(5))
15.5.7(a)(ii) – provision of legal remedies for anti-circumvention of technological measures, specifically the acts cited in sub (ii) (trafficking)	3 years	3 years	3 years	3 years	3 years	5 years regarding all aspects of effective technological measures (including exceptions) in Article 17.7(5))
15.5.7(e) – certain exceptions to technological protection measures	3 years	3 years	3 years	3 years	3 years	5 years

ISSUE IN CAFTA IPR CHAPTER	COSTA RICA	EL SALVADOR	GUATEMALA	HONDURAS	NICARAGUA	CHILE FTA
15.5.7(f) – certain exceptions to technological protection measures	3 years	3 years	3 years	3 years	3 years	5 years
15.5.8(a)(ii) - providing legal remedies for right management information	2 years	30 months	2 years	2 years	2 years	5 years
15.5.9 – issue laws and decrees regarding the acquisition and managements of computer software for government use			1 year	1 year	1 year	
15.8 – protection of encrypted program-carrying satellite signals (general)			18 months	18 months		
15.8.1(b) – criminal offenses regarding encrypted program-carrying satellite signals	18 months	18 months			18 months	
PATENTS						
15.9.6 – Patent term restoration for Patent Office delays	1 year		1 year	1 year	1 year	2 years on almost <u>all</u> patent provisions (Articles 17.9(1) and 17.9(3) through 17.9(7))
ENFORCEMENT						
						4 years regarding <u>all</u> enforcement measures (including border measures)
15.11.8 – pre-established damages in civil judicial proceedings	3 years	3 years	3 years	3 years	3 years	4 years
15.11.14 – civil remedies, including seizures, actual damages, court costs and fees, destruction of devices and products	3 years	3 years	3 years	3 years	3 years	4 years
15.11.20 – providing information for suspension of pirated and counterfeit goods at the border			2 years	2 years	2 years	4 years
15.11.21 – authorities may require applicants for border measures to provide reasonable security or equivalent assurance			2 years	2 years	2 years	4 years
15.11.22 – authorities must inform right holders of names/address of consignor, importer, consignee and quantity of goods in question			2 years	2 years	2 years	4 years

ISSUE IN CAFTA IPR CHAPTER	COSTA RICA	EL SALVADOR	GUATEMALA	HONDURAS	NICARAGUA	CHILE FTA
15.11.23 – customs <i>ex officio</i> authority		2 years	4 years	4 years	4 years	4 years
15.11.24 – destruction of pirated and counterfeit goods seized at the border by appropriate authorities pursuant as appropriate to judicial order or with the right holders’ consent			3 years	3 years	3 years	4 years
15.11.25 – application fee or merchandise storage fee shall not unreasonably deter recourse to these procedures			2 years	2 years	2 years	
15.11.27 – limitation on liability for internet service providers (general)	30 months	1 year	30 months	30 months	3 years	4 years regarding all enforcement measures (including ISP liability)

VII. Membership of the IFAC-3 Committee

Eric H. Smith
President
International Intellectual Property Alliance
Chairman

Jacques J. Gorlin
President
The Gorlin Group
Vice-Chairman

Catherine P. Bennett
VP, Federal Tax and Trade Legislation
Pfizer, Inc.

Hope H. Camp
Consultant
Law Offices of Hope H. Camp Representing Eli Lilly and Company

Susan K. Finston
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Timothy P. Trainer
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