

**The U.S.-Morocco 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)**

**April 6, 2004**

**Advisory Committee Report to the President, the Congress and the  
United States Trade Representative on the U.S.-Morocco 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 agreement<sup>1</sup> 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.-Morocco FTA (“MFTA”) is the most advanced IP chapter in any FTA negotiated so far 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, strongly supports the MFTA chapter on intellectual property and commends the U.S. negotiators for another excellent job. IFAC-3 is particularly pleased that the shortcomings that have characterized the Chile FTA and CAFTA have been almost entirely eliminated, making this truly a precedential agreement for future FTAs. We also commend the Moroccan negotiators for their willingness to adopt high levels of protection, not only for U.S. right holders, but for their own right holders as well.

<sup>1</sup>This report is based on a review of the MFTA dated March 8, 2004, which is available to IFAC-3 but not yet publicly available. 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.

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, the Australia FTA and the MFTA 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 Morocco 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 Morocco's implementation of the agreement fall short of its commitments.

## **VI. Advisory Committee Opinion on Agreement**

### **Introduction:**

The MFTA 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, the MFTA takes into account the significant legal and technological developments that have occurred since the TRIPS and NAFTA agreements entered into force and mirrors, and improves upon, 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, the MFTA, along with CAFTA, is among the first to be completed with countries that are not among the more advanced developing countries; indeed some have relatively low per capita incomes and lower development levels. That Morocco found it in its own interest to significantly increase its 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.

We applaud Morocco 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.

IFAC-3 welcomes the successful negotiation of the MFTA. 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 has an impact on the effectiveness of the overall bilateral program including with non-FTA countries.

While the MFTA 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 Morocco (and our

other FTA partners) 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 MFTA chapter on intellectual property and commends the U.S. negotiators. Furthermore, it believes that the agreement establishes precedents on most key issues to be included in the other FTAs now being negotiated, including the FTAA., IFAC-3 further 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 very few provisions 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. IFAC-3 particularly applauds the absence of long transition periods for acceding to several of these treaties, which characterized the Chile FTA and CAFTA. With certain few exceptions, discussed below, adherence to these treaties and to virtually all the FTA obligations is required upon entry into force without any transition.

IFAC-3 is particularly pleased that the carve-out from the national treatment obligation afforded to Chile and Australia for certain elements of protection for sound recordings and performances was not repeated in the MFTA. The MFTA 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 provides that marks need not be visually perceptible to be registered. This leaves open the possibility of registering sound and scent marks, which is positive. It would be preferred, as in CAFTA as it relates to sound marks, that sound and scent marks

be mandated as protectable. Nevertheless, removing the barrier to protection of sound and scent marks because they are not visually perceptible is a step forward.

Article 15.2.2 requires the Parties to protect certification marks. Collective marks are not mentioned and therefore, protection of collective marks is not required. While protection of certification marks is beneficial, it is preferred that collective marks be likewise considered trademarks and required to be protected.

Article 15.2.3 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 15.2.6. Similar to the Singapore and Chile FTAs and CAFTA, the MFTA 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 the MFTA provides for greater scope of protection for well-known marks in 15.2.6, it does not meet the same level of protection for such marks as found in the Chile FTA. The MFTA 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 15.2.11 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 and CAFTA do eliminate the trademark recordal requirement.

#### Domain Names on the Internet:

The MFTA 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 and CAFTA reports) 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 the MFTA 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.

As opposed to CAFTA, the MFTA, like the Chile and Singapore FTAs, does not include a sentence providing that “due regard may be given to the Parties’ legislation protecting the privacy of its nationals” as it relates to domain name contact information. IFAC-3 is pleased that this provision is not included in the MFTA as such a provision could be used to limit or restrict right holders access to an accurate Whois database.

### Geographical Indications

The MFTA 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 MFTA, as with the Chile FTA and CAFTA, 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, the Chile FTA and CAFTA, the MFTA includes a provision (Article 15.2.4 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 MFTA, like the Chile FTA and CAFTA 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 and CAFTA, to the extent that it lends clarity to the issue, it is a welcome addition to the Singapore FTA language.

IFAC-3 also supports this geographic indication text of the MFTA 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. The MFTA, as with the Chile FTA and CAFTA, 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 MFTA intellectual property negotiations, like its goal for the Singapore and Chile FTAs and CAFTA, 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 Morocco's 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 for record producers and performers in Morocco as close as possible 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 and the Chile FTA to some extent perpetuated this dichotomy unnecessarily, the MFTA and CAFTA, however, returned 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 MFTA 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 15.5.1);
- 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 Morocco 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).
- 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 15.5.9);
- 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 15.5.11(a));
- Reiteration of the TRIPS and WIPO treaties' obligation ensuring the full term of protection for pre-existing works (Article 15.5.6)

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 and CAFTA, Morocco has agreed to extend its 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 15.5.5);
- The text includes a provision (Article 15.5.4) that makes clear that there is no hierarchy of rights between those of authors and those of record producers, a problem characteristic of some Latin American countries;
- The language that appears in the Singapore FTA and CAFTA ensuring that countries cannot subject retransmission of television signals to a compulsory license also appears in the MFTA text (Article 15.5.11(b)). This is an important precedent for the region;
- In a major advance over prior FTAs, the MFTA text contains 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 Morocco that are not intended for distribution in that country. Obtaining such important protection is a major plus 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 and CAFTA 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, Morocco included, to ensure that their software use is fully licensed and that effective software management systems are established (Article 15.5.10);
- 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 MFTA text fortunately returns to the Singapore formulation establishing both criminal and civil liability and removes the willfulness requirement.

Other than the few 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 all 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 Morocco.

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

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 the MFTA 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 Morocco. Taken as a whole, these additional protections and clarifications provide very strong protection and, accordingly, are most welcome. The additional elements contained in the patent section of the MFTA surpass those found in previous FTAs, including the Singapore FTA, which, until now, had been the benchmark for FTA patent chapters.

Morocco already is a Member of the WIPO Patent Cooperation Treaty (1970). In this regard, IFAC-3 notes that membership in the PCT reduces the costs of gaining patent protection in member countries through the filing of a single patent application under the PCT. Morocco's adherence to the PCT provides numerous administrative benefits for U.S. patent holders. For example, it allows 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 Morocco. It also allows 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 at the economic development level similar to that of Morocco gain from adherence to the PCT, IFAC-3 urges US negotiators to continue to make PCT membership a critical element of all FTAs.

IFAC-3 recognizes the significance of Morocco's commitment to ratify or accede to the UPOV Convention (1991) by January 1, 2006 (Article 15.2.2). In this regard, IFAC-3 notes that, with the exception of the timelines provided for Morocco's accession to certain international intellectual property agreements, Morocco is required to meet all of its obligations with respect to patents and certain regulated products when the FTA enters into force.

IFAC-3 welcomes the pledge made by Morocco to provide patent protection for plants and animals and the confirmation made by both Parties that patents shall be available for any new uses or methods of using a known product, including new uses of a known product for the treatment of humans and animals. This will make available patent

protection for transgenic plants and animals that are new, involve an inventive step and are capable of industrial application. IFAC-3 notes that this is a significant improvement over the commitments made by Chile and CAFTA in their FTAs and urges US negotiators to insist in all future FTAs that patent protection be made available to both plants and 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 Morocco results in reforms to its patent system as soon as possible. (Article 15.9.2)

IFAC-3 welcomes the obligation found in Article 15.9.4 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. This provision 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 Morocco.

The MFTA restricts, in Article 15.9.5, the grounds for the revocation of a patent or to the holding of the patent as unenforceable to those limited to the patentability of the invention as well as to fraud, misrepresentation or inequitable conduct. In this regard, IFAC-3 urges the U.S. government to work with Morocco 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. IFAC-3 notes that the MFTA includes the prohibition of pre-grant opposition and urges US negotiators to continue to include the prohibition of pre-grant opposition in all future FTAs where the potential for abuse exists.

The MFTA places restrictions, in Article 15.9.6, 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.

The MFTA recognizes, in Article 15.9.7, 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.

The FTA requires (in Article 15.9.8) Morocco to treat public disclosures of an invention that occur within 12 months prior to the filing date of the application in Morocco 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 15.9.9 through 15.9.12 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.

IFAC-3 welcomes the above-mentioned FTA patent provisions; nevertheless, it notes that the MFTA fails to include 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. IFAC-3 believes that it is critical that future FTAs include these compulsory licensing restrictions, which were found in the Singapore FTA.

IFAC-3 notes that, in a side letter on public health, the U.S. and Morocco reached an understanding that the implementation of the provisions of the intellectual property chapter of the FTA does not affect the ability of either Party "to take necessary measures to protect public health by promoting access to medicines for all." IFAC-3 welcomes the recognition by the two governments that "This will concern, in particular, cases such as HIV/AIDS, tuberculosis, malaria and other epidemics as well as circumstances of extreme urgency or national emergency." The two Parties also agreed, in the side letter, to "immediate cooperative consultations" in order to adapt the chapter, as appropriate, to any subsequent amendment to the TRIPS Agreement that might be violated by the provisions of the intellectual property chapter of the FTA.

While IFAC-3 appreciates the concerns raised in the side letter and the desire by both Parties to ensure that the FTA remain consistent with any future TRIPS amendments, it urges U.S. negotiators to ensure that the terms of the side letters not be used to weaken any of the intellectual property protections currently contained in Chapter 15 of the FTA. In this regard, IFAC-3 believes that the proper implementation and enforcement of the obligations found in the TRIPS Agreement create the legal and policy framework conducive to the development of new drug therapies, especially for infectious diseases, and, as a result, the TRIPS Agreement, in and of itself, plays a key role in "protect[ing] public health." IFAC-3 recalls (i) that the WTO Trade Ministers agreed, in Paragraph 4 of the Doha Declaration on the TRIPS Agreement and Public Health of November 14, 2001, "that the TRIPS Agreement does not and should not prevent members from taking measures to protect public health" and (ii) that the Doha Declaration did not amend TRIPS Article 8, which provides that measures taken to protect public health should be "consistent with the provisions of this Agreement."

#### Measures Related to Certain Regulated Products

The provisions of the MFTA 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, the MFTA 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 in Morocco. In addition, it explicitly provides protection in cases where regulatory approval is conditioned on the demonstration of prior marketing approval in another territory. (Article 15.10.1)

The MFTA provides for at least three years 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. IFAC-3 welcomes such protection, which is essential for the approval of a pharmaceutical product that uses a previously approved chemical component. (Article 15.10.2)

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.

The MFTA 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 15.10.3); prohibits generic drug approvals during the term of the patent covering the pharmaceutical product (i.e., “linkage”); explicitly restricts, in footnote 10, Morocco from terminating the data protection period with the expiration of the underlying patent; 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 15.10.4)

IFAC-3 welcomes these provisions with respect to certain regulated products contained in the MFTA and urges that they be included in all future FTAs.

### 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 Moroccan government – 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 the Moroccan 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.

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

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 15.11.3 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 15.11.2 requires both parties to publicize information “that the 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 15.11.4 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 15.11.6 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, unlike CAFTA, it requires the courts to use the suggested retail price of the legitimate product being infringed upon as a measure of the loss to the right holder, rather than merely ask the courts to "consider" using this measure;
- 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. The MFTA, like the Singapore FTA and U.S. law – but unlike the CAFTA, permits the rightholder to elect between statutory damages and proving actual damages. CAFTA left it to the judges to determine when and if to use it. The MFTA language is superior. We also note that the text retains the Singapore FTA and CAFTA concept (though the language may be somewhat less strong) that statutory damages be "in an amount sufficient to constitute a deterrent to further infringements," and, unlike CAFTA it is not 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 15.11.8-10 elaborate on many discretionary remedies from the TRIPS Agreement. Article 15.11.8 provides for mandatory payment (except in exceptional circumstances) of reasonable attorney's fees to the prevailing party; Article 15.11.9 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 15.11.9 gives the authority to the court of order the destruction of infringing goods "at the right holder's request," a welcome improvement over the CAFTA text which leaves this to the judge's discretion. Unlike the Chile FTA and CAFTA, this text does not contain the right in certain circumstances to donate trademarked goods to charity where they might find their way back into the stream of commerce. 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." The language contains no qualifiers permitting additional judicial discretion, as in the CAFTA and Chile FTA which could be subject to abuse. IFAC-3 prefers this and the

Singapore formulation.

- Article 15.11.11 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 including the use of statutory damages at the election of the right holder. Destruction of devices is mandatory, except in exceptional circumstances, an improvement over the CAFTA formulation;
- 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 "within 10 days, except in exceptional circumstances." Quick *ex parte* search orders are critical to meaningful civil enforcement against infringements. IFAC-3 is gratified to see the substitution of a 10 day minimum in the MFTA from the "expeditious" standard appearing in other FTAs;
- 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 welcomes the additional language, not appearing in other FTAs, making it 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 provision (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 as well as CAFTA.

### 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.).
- 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 Morocco 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 products 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 mirrors the CAFTA text and 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.
- Article 15.11.27 adds an additional offense, not found in TRIPS, making it a crime to deal in counterfeit labels and documentation for certain products. This is also a positive advance.

#### Limitations on Liability of Service Providers

- Article 15.11.28 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 CAFTA 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, Morocco also ensures that its law fully implements the obligation to have in place a system of potential liability of ISPs as to which such limitations can apply, as is envisioned in the first sentence of Article 15.11.28. 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. IFAC-3 is also pleased that the two countries have agreed, in a side letter, to a “notice and takedown” system modeled after the statutory system contained in the DMCA.

#### Transitional Provisions

The transitional provisions in the MFTA are a major advance over the Chile FTA and CAFTA. As noted earlier, with a few exceptions, adherence to treaties and to the obligations of the FTA must occur upon “entry into force” of the MFTA. The exceptions for treaties include the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, UPOV and the Trademark Law Treaty with a deadline of January 1, 2006. Only two FTA obligations are deferred to later than entry into force. These are the obligations with respect to domain names (Article 15.4) and on limitations to the liability of ISPs (Article 15.11.28), both with a deadline of January 1, 2006. Given that the date of entry into force will likely be close to this date, IFAC-3 believes these transition periods are not likely to have great adverse impact.

## **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.

Timothy P. Trainer  
President  
International AntiCounterfeiting Coalition

Hope H. Camp  
Consultant  
Law Offices of Hope H. Camp Representing Eli  
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Neil I. Turkewitz  
Executive VP, International  
Recording Industry Association of  
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Susan K. Finston  
Associate VP for IP and Middle East/Africa  
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Pharmaceutical Research and Manufacturers of  
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Herbert C. Wamsley  
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Morton David Goldberg  
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Helga L. Ying  
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Dr. Joseph A. Imler  
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