

**The U.S.-Panama Trade Promotion Agreement (TPA)
The Intellectual Property Provisions**

**Report of the
Industry Trade Advisory Committee on Intellectual Property
Rights (ITAC-15)**

April 25, 2007

**Advisory Committee Report to the President, the Congress and the
United States Trade Representative on the U.S.-Panama Trade Promotion
Agreement**

Prepared by the

**Industry Trade Advisory Committee on Intellectual Property
Rights (ITAC-15)**

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 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 Trade Advisory Committee on Intellectual Property Rights (ITAC-15) hereby submits the following report.

II. Executive Summary of Committee Report

Completion of the U.S. - Panama Trade Promotion Agreement (“PTPA”) on December 19, 2006 follows the negotiation of the U.S.-Peru TPA, U.S.-Colombia TPA and three other FTAs with countries in the Middle East/North Africa – the U.S.-Morocco FTA, which entered into force on January 1, 2006, the U.S.-Bahrain FTA, which entered into force on August 1, 2006 and the U.S.-Oman FTA which was signed by both parties on January 19, 2006 and has yet to enter into force. As did the U.S.-Peru TPA and U.S.-Colombia TPA, whose provisions are virtually identical with those of the PTPA, the PTPA, as currently drafted, falls short in a few areas, as detailed below, of the stronger provisions in the three Middle Eastern agreements.

¹ This report is based on a review of the intellectual property provisions of the PTPA dated January 19, 2007, and made available to the public on the USTR website. 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 ITAC-15 has made these comments.

Despite these shortcomings, ITAC-15 supports the PTPA chapter on intellectual property, as currently drafted. ITAC-15 believes the PTPA, as currently drafted, 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.

ITAC-15 takes note of the discussions currently underway between the Administration and the Congress on certain provisions in the sections of the PTPA on Patents and Measures Related to Certain Regulated Products and that, as a result of these discussions, a number of provisions in those sections of the intellectual property chapter may change after the deadline for submission of this report. These substantive changes could go beyond the changes that have been negotiated in some past FTAs and TPAs during the “legal scrub process” (see below). The changes in the PTPA, should they occur, could be significant enough for some members of ITAC-15 to reconsider their current support for the intellectual property chapter of the PTPA. In this regard, ITAC-15 understands that an opportunity will be provided to all ITACs to file addenda to their reports in which they will be able to comment on any changes made to the text of the PTPA after expiration of the thirty day advisory committee comment period.

ITAC-15 wishes to underscore the importance that it attaches to a close working relationship between ITAC-15 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 ten prior FTAs, continues to form the basis for these other agreements. Such relationship was critical during the course of this negotiation as well, and will remain so for future FTAs.

ITAC-15 also expresses its continuing concern about the fact that the texts provided to the cleared advisors for their review have not gone through the “legal scrub process.” ITAC-15 urges U.S. negotiators to make every effort either to provide the cleared advisors with “final” text before ITAC-15 is asked to file its reports, or, at a minimum, to submit the “scrubs” for advisor review before they become final. Unfortunately, in the case of this TPA, ITAC-15 is again required to submit its report before the final text of the Agreement is available.

Finally, ITAC-15 urges the United States not only to monitor very closely the implementation by Panama (and our other FTA partners) of their TPA obligations but also to ensure that Panama and our other FTA partners have in place, before the entry into force of the TPAs, national legislation that faithfully reflects their TPA obligations. In this regard, ITAC-15 commends the United States for working with FTA partners to secure fully-compliant national legislation before each agreement enters into force, but notes that entry into force of the Bahrain FTA occurred without a thorough review of the Bahrain legislation, as it was finally adopted. This legislation does not fully comply with the Bahrain FTA provisions and therefore the U.S. government should expeditiously seek amendments to correct the deficiencies. This unfortunate development only reemphasizes the critical need to carefully review all implementing legislation after it has been adopted to ensure that no FTA enters into force until full compliance is achieved.

To help ensure this outcome, ITAC-15 considers it essential that, if need be, entry into force be postponed until that full compliance is achieved.

III. Brief Description of the Mandate of ITAC-15

As part of its mandate to provide detailed policy and technical advice, information and recommendations on trade-related intellectual property matters, ITAC-15's predecessor committee, IFAC-3, advised U.S. negotiators on, and reviewed draft texts of, the Singapore FTA, the Chile FTA, CAFTA-DR, the Australia FTA, and the Morocco 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. ITAC-15 continued this review with the Bahrain and Oman FTAs and the Peru and Colombia TPAs and issued reports on those agreements as well.

IV. Negotiating Objectives and Priorities of ITAC-15

The negotiating objectives and priorities for ITAC-15 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, ITAC-15'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 the IPR-based industries are able to ensure that the standards of protection and enforcement keep pace with new developments.

V. Advisory Committee Opinion on Agreement

Introduction

The PTPA builds on the standards already in force in the TRIPS agreement, the NAFTA, the Jordan, Singapore, Chile, and Australia FTAs, updating these standards to take into account the wealth of experience operating under those agreements since their coming into force from 1995 to 2005. 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 PTPA takes into account the significant legal and technological developments that have occurred since the TRIPS and NAFTA agreements entered into force and mirrors, and, in many areas, improves upon, the Singapore, Chile, and CAFTA-DR in order to establish clear precedents in most key areas of IP protection for future FTA negotiations, many of which precedents were also followed in the FTAs with Morocco, Bahrain, and Oman. Notwithstanding that some of the obligations contained in the PTPA fall short of those contained in the Morocco, Bahrain and Oman FTAs, the fact that Panama 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. ITAC-15 urges the U.S. government to keep this in mind when negotiating with other developing and least developed countries, which have much to gain from maintaining the high levels of protection negotiated to date.

We applaud Panama 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.

ITAC-15 welcomes the successful negotiation of the PTPA. While ITAC-15 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 150 Members of the WTO, FTA negotiations, provided that they result in strong standards of intellectual property protection and effective enforcement, 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 a possible 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.

ITAC-15 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. ITAC-15 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.

ITAC-15 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 and it is for that reason that ITAC-15 is disappointed that U.S. negotiators, in the areas noted below, failed to negotiate an FTA with Panama that contained the same level of obligations as those found in the Morocco and Oman FTAs.

ITAC-15 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, ITAC-15 notes that negotiating FTAs has an impact on the effectiveness of the overall bilateral program including with non-FTA countries.

While the PTPA, as currently drafted, 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. ITAC-15 notes with much concern, for example, the problems that U.S. industry has faced in Jordan, Chile, Australia, Singapore, Morocco and, currently with some of the CAFTA countries, the Dominican Republic and Bahrain, in respect of their implementation of those FTAs and urges the United States not only to monitor very closely the implementation by Panama (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.

ITAC-15 supports the PTPA chapter on intellectual property as currently drafted.² However, it believes that the Morocco FTA, while negotiated prior to the PTPA, continues as the most advanced intellectual property chapter in any FTA negotiated so far in the area of patents and regulated products and should be used as the benchmark for the future FTAs in the region under the Middle East Free Trade Area (MEFTA) initiative. In the areas of copyright and related rights, trademarks, geographical indications and enforcement, with only minor exceptions, the Oman FTA now reflects the highest standards of protection yet negotiated. These precedents should be carried forward in future FTAs.

ITAC-15 further wishes to underscore the importance that it attaches to a close working relationship between ITAC-15 and industry, on the one hand, and U.S. negotiators, on the other, not only in the development of a model FTA intellectual property text, which would form the basis for these other agreements but also during the course of the FTA negotiations themselves.

ITAC-15 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 few provisions which ITAC-15 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. ITAC-15 notes with disappointment that, unlike in the Oman FTA, Panama is given a possible transition period (beyond entry into force) until January 1, 2011 to accede to the Trademark Law Treaty and until January 1, 2010 to accede to the UPOV Convention. We also note that, while the transition periods, as described further below, afforded under the PTPA for a number of substantive and enforcement obligations, are not as damaging as those under the Chile FTA and the CAFTA-DR, we are also disappointed that the ‘no transition’ precedent in the Oman FTA was not followed in this agreement.

ITAC-15 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 PTPA. The PTPA affords, like the Singapore,

² ITAC-15 reiterates its concern about the issues currently under discussion between the Administration and the Congress on certain provisions in the sections of the PTPA on Patents and Measures Related to Certain Regulated Products, which could result in changes to a number of provisions in those sections of the intellectual property chapter after the deadline for submission of this report. The changes, should they occur, could be significant enough to cause some members of ITAC-15 to reconsider their current support for the intellectual property chapter of the PTPA.

CAFTA-DR, Morocco, Bahrain and Oman FTAs and the Peru and Colombia TPAs, 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 ITAC-15 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 CAFTA 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 FTA and CAFTA, 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 or the proposed Korea 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.

Geographical Indications

The PTPA 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 Panama text, like the CAFTA and Chile FTA texts, has a more extensive provision on geographical indications than does the Singapore text. As such, it builds upon and clarifies that language.

The PTPA, like the Chile FTA and CAFTA, 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 PTPA text, like the CAFTA text, 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.

The PTPA text includes a footnote (footnote 10) 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. ITAC-15 has indicated in previous reports, for example the CAFTA Report, that this footnote is unnecessary and raises the risk that a Party could look to the footnote as providing substantive rights. As we have done previously, ITAC-15 urges U.S. negotiators to avoid footnotes of this nature in future negotiations, although its removal is not critical in this instance.

ITAC-15 supports the PTPA 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. The PTPA, as with the 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 abovementioned relationship between trademarks and geographical indications remains clear, the broadened definition for geographical indications is likewise welcome.

Domain Names on the Internet

The PTPA 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. ITAC-15 prefers, however, (and mentioned this in its CAFTA and Chile FTA 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.

ITAC-15 wishes to underscore that the provisions regarding the establishment of Uniform Domain Name Dispute Resolution Procedures for ccTLDs in the PTPA addresses only trademark cyber-piracy, and not other alleged abuses such as the use in domain names of geographic terms. ITAC-15 commends the fact that challenges based upon the use of geographic terms as, or as part of, a domain name are not included.

The PTPA provision also contains language not appearing in either the Singapore or Chile FTA stating that, “In determining the appropriate contact information, the management of a Party’s ccTLD may give due regard to the Party’s laws protecting the privacy of its nationals.” ITAC-15 is concerned that this provision might be used to limit or restrict right holders access to an accurate Whois database.

An increasingly important issue for trademark owners is the cost of maintaining domain names. This TPA does not address the issue. In the future, adopting language to limit the cost of maintaining ccTLD domain names should be strongly considered as countries increasingly are using domain name maintenance fees for revenue generation purposes. This should be discouraged through treaty language as it is becoming increasingly costly for brand owners to maintain their rights.

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 6.56% 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 PTPA 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 Panama’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 in Panama 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. PTPA, 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. ITAC-15 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 PTPA 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 exceptions for analog performances and broadcasts of sound recordings and performances consistent with existing U.S. law (Articles 15.6 and 15.7.3);
- The requirement that the PTPA 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, Panama has 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 and sets a good precedent with other Latin countries;
- 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 PTPA 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 Panama 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 Panama 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, Panama 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 PTPA text fortunately returns to the Singapore formulation establishing both criminal and civil liability and removes the willfulness requirement. However, the PTPA 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)). ITAC-15 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

ITAC-15 notes that, 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. ITAC-15 reiterates its view that it should continue to 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 key developed countries, including the United States. It is in light of these objectives that ITAC-15 provides its comments on the provisions relating to patents and to measures related to certain regulated products that are contained in the recently completed TPA with Panama.

ITAC-15 views the provisions found in the current version of the PTPA with respect to patent term restoration (Article 15.9.6), data exclusivity (Article 15.10.1) and “linkage” (15.10.2(a)) as minimum levels of effective protection against which the effectiveness and adequacy of similar provisions in future FTAs should be measured.

ITAC-15 believes that the use of simple, straight-forward language will help avoid later misinterpretations of the intellectual property obligations contained in FTAs by governments of less-than-goodwill that seek to undermine those obligations. To that end, ITAC-15 urges U.S. negotiators to insist that the final language track the FTA language contained in the U.S. model text.

The patent section of PTPA 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 Panama. These additional protections are welcome but fall far short of the additional elements contained in the patent sections of the Oman FTA and the Bahrain FTA, both of which were recently negotiated.

Panama is not a Member of the WIPO Patent Cooperation Treaty (1970) and ITAC-15 welcomes Panama's commitment to accede to the PCT. The current draft PTPA that is on the public website includes a target date for Panama's PCT accession as January 1, 2007. ITAC-15 understands that that date, as well as the January 1, 2006 date for Panama's accession to the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (1977), will be reviewed during the legal scrub of the PTPA. Given the relatively short delays in Panama's implementation of the PCT and Budapest Treaty suggested by the original dates, ITAC-15 expects that the new transition periods will be relatively short.

In this regard, ITAC-15 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. Adherence to the PCT will provide 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 Panama. It also allows patent holders to avoid complications from unique application requirements in particular PCT countries—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 Panama gain from adherence to the PCT, ITAC-15 welcomes the decision made by U.S. negotiators to continue to make PCT membership a critical element of all FTAs.

ITAC-15 recognizes the significance of Panama's commitment to ratify or accede to the UPOV Convention (1991) by January 1, 2010. ITAC-15 urges Panama to accede to UPOV prior to that date. (Article 15.1.3)

ITAC-15 welcomes the pledge made by Panama 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 15.9.2). Nevertheless, while Panama's commitment to limit the application of the biotechnology exclusion currently found in TRIPS Article 27.3(b) is welcome, ITAC-15 is disappointed that the PTPA does not explicitly require Panama to implement patent protection for transgenic animals as does the Morocco FTA. ITAC-15 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 Morocco FTA requires the patenting of both transgenic plants and animals. ITAC-15 also urges the U.S. Government to ensure that the commitment made by Panama results in reforms to their patent systems as soon as possible.

The PTPA restricts, in Article 15.9.4, the grounds for the revocation of a patent to those limited to the patentability of the invention. ITAC-15 is disappointed that it does not require Panama to also provide that fraud, misrepresentation or inequitable conduct may be the basis for revoking, canceling or holding a patent unenforceable. We, however, urge the U.S. Government to work with Panama 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 Panama is already a member of the Paris Convention, ITAC-15 notes that the reference to the obligations contained in Article 5.A (3) of the Paris Convention does not add or detract from the obligations contained in the TPA. (Article 15.9.4)

ITAC-15 is disappointed that the PTPA does not prohibit pre-grant opposition, especially given the ban has been included in other recently-negotiated FTAs. ITAC-15 urges U.S. negotiators to return to their recent practice of including the prohibition of pre-grant opposition in all future FTAs, especially where the potential for abuse exists.

The PTPA 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). These restrictions limit the use of such data to 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 delay in the regulatory approval of a new drug, these restrictions generally reflect U.S. law and practice.

The PTPA recognizes, in Article 15.9.6(a), 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. ITAC-15, however, notes with some concern that the definition of an “unreasonable delay” used in the Oman, Bahrain and Morocco FTAs --a delay in the issuance of the patent of more than four years from the date of filing of the application in the territory of the Party or two years after a request for examination of the application, whichever is later—was not used in the PTPA, which defines “unreasonable delay” as the later of five years from filing or three years after an examination request. ITAC-15 also notes that Panama was given one year after the entry into force of the PTPA to implement the obligations contained in Article 15.9.6. The one year delay extends to Subparagraph (b) of that Article, which provides patent term restoration for the unreasonable curtailment of the patent term as a result of the marketing approval process for pharmaceutical products covered by a patent. ITAC-15 urges a return in future FTAs to the standards used in the Middle Eastern FTAs.

The PTPA requires Panama to treat public disclosures of an invention that occur within 12 months prior to the filing date of the application in Panama 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. (Article 15.9.7) ITAC-15 welcomes Articles 15.9.8 through 15.9.11, which provide procedural definitions that will facilitate patent examination and ensure the transparency of that process.

ITAC-15 welcomes the PTPA patent provisions; nevertheless, it notes the absence of an explicit obligation to make patent protection available for all forms of new, non-obvious

and useful inventions. ITAC-15 also notes that the PTPA fails to explicitly limit a country's authority to grant compulsory licenses to situations that are needed to remedy anti-trust violations and to national emergencies or other circumstances of extreme urgency; and to govern situations of public non-commercial use.

ITAC-15 is particularly disappointed that the PTPA does not contain the obligation that each country must provide effective legal means to enable a patent owner to prevent the unauthorized importation of goods put on the market in another country by it or its agent. This provision, which is found, for example, in the Morocco 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 Panama.

ITAC-15 believes that it is critical that future FTAs include these restrictions on compulsory licensing, international exhaustion and pre-grant opposition as well as obligations to provide patent protection for transgenic animals.

ITAC-15 notes that the PTPA contains an additional letter not found in any previous FTA recognizing the importance of traditional knowledge and folklore to the people of Panama. ITAC-15 welcomes the pledge made by Panama and the United States to work together in the World Intellectual Property Organization Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge, and Folklore in addressing matters related to traditional knowledge and folklore.

Measures Related to Certain Regulated Products

The provisions of the PTPA 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 the 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 TRIPS Agreement. These provisions, however, fall short of the positive precedent of the Oman and Bahrain FTAs.

To give effect to the data exclusivity obligations of Article 39.3 of TRIPS, the PTPA imposes an obligation of "non-reliance" on either the originator's approval or the originator's 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 Panama. (Article 15.10.1(a))

In addition, the PTPA 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 Panama. ITAC-15 notes that the PTPA permits a Party to require the originator pharmaceutical company to seek the marketing approval in Panama within five years after obtaining marketing approval in the United States. ITAC-15 believes that, under normal circumstances, the

five-year cap, which is also found in Peru TPA, 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 Panamanian health authorities in the grant of marketing approval would not adversely affect the protection. (Articles 15.10.1(b))

The PTPA 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.” ITAC-15 welcomes, as an important clarification of the term “new chemical entity” found in TRIPS Article 39.3, the regulatory-related definitions of a “new pharmaceutical product” and “new agricultural product” contained in Article 15.10.1(c). The Article defines a “new pharmaceutical product” as one that does not contain a chemical entity that has been previously approved in Panama for use in a pharmaceutical product; and a “new agricultural product” as one that contains a chemical entity that has not been previously approved in Panama for use in an agricultural product.. 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.

In this regard, ITAC-15 notes its disappointment that the PTPA does not 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. ITAC-15 further notes that the Oman and Bahrain FTAs provide such protection. ITAC-15 urges a return in future FTAs to the standards used in the Middle Eastern FTAs.

The PTPA also imposes a second set of obligations that explicitly requires Panama to implement measures in its marketing approval process to prevent 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 15.10.2). While Article 15.10.2(a), on “linkage,” does not specify a period, ITAC-15 believes that the current 30 month stay on the entry of a generic drug during pending patent-infringement litigation, provided under U.S. law, provides an effective level of protection under “linkage.”

ITAC-15 welcomes these provisions with respect to certain regulated products contained in the PTPA.

Enforcement

ITAC-15 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 Panamanian Government to enforce those standards, particularly against commercial piracy, counterfeiting and other infringements that cause such a drain on the U.S. and Panamanian economies.

Today, eleven years after the WTO TRIPS enforcement obligations became effective in the developed world, and six 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 ITAC-15 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.

ITAC-15 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 PTPA makes some significant advances toward this goal, but again the proof will lie in the implementation of these new standards on the ground in Panama, by police, prosecutors, judges and administrative agencies responsible for enforcement and implementation of the intellectual property rights protected in TRIPS and the PTPA.

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. ITAC-15 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 “pre-established”) 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 right holder to elect between statutory damages and proving actual damages, the PTPA 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 ITAC-15 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 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. As in the CAFTA-DR, Panama has

a three year transition period provided for the implementation of this provision, which is very disappointing to industry;

- 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 ITAC-15 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 ITAC-15 believes this obligation should extend to copyright piracy as well. Article 15.11.11 gives the authority to the court to order the destruction of infringing goods, but only "at its discretion." ITAC-15 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 ITAC-15 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 the judicial authorities imposing sanctions in "appropriate cases". The PTPA does not have the Chile FTA text that explicitly states that the judicial authorities have the authority to impose monetary fines or a term of imprisonment for infringers failing to comply with the court's order. 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. Despite the three year transition period that Panama has been given to implement this provision, industry urges Panama to enforce this provision against violators upon entry into force of the agreement;
- 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. ITAC-15 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. Despite the three year transition period that Panama has been given to implement this provision, industry urges Panama to enforce this provision against violators upon entry into force of the agreement.

Criminal Procedures and Remedies

- Article 15.11.26(a) 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.). ITAC-15 is pleased that criminal liability pertains in this context wherever there is more than *de minimis* financial harm. However, ITAC-15 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 many other FTAs. ITAC-15 urges the elimination of this limitation in future FTAs;
- Article 15.11.26(b)(i) 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 Panama to adopt sentencing guidelines that are tailored to ensure deterrence;
- Article 15.11. 26(b)(ii) 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 is an advance on a weaker Chile FTA text;

- Article 15.11.26(b)(iii) 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(b)(iv) 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. ITAC-15 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, PTPA also ensures 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

We have highlighted the various transition provisions in Article 15.12 in connection with the discussion of each provision in this report. While ITAC-15 strongly prefers the “no transition” scheme of the Oman FTA, we are pleased that many of the transition periods are shorter than those provided many of the countries in the CAFTA-DR and in the Chile FTA.

VI. Membership of the ITAC-15 Committee

Eric H. Smith
International Intellectual Property Alliance
Chairman

Jacques J. Gorlin
President
The Gorlin Group
Vice Chairman

Sandra M. Aistars, Esq.
Senior Counsel, Intellectual Property
Time Warner Inc.

Kira M. Alvarez, Esq.
General Counsel for Latin America
Eli Lilly and Company

Mark Chandler, Esq.
Senior Vice President, General Counsel, and
Secretary
Cisco Systems, Inc.

Erin L. Ennis
Vice President
The U.S.-China Business Council

Francis (Frank) Z. Hellwig, Esq.
Senior Associate, General Counsel
Anheuser-Busch Companies, Inc.

J. Anthony Imler, Ph.D.
Director, Public Policy, Latin America
Merck & Co., Inc.

Mary A. Irace
Vice President, Trade and Export Finance
National Foreign Trade Council, Inc.

Jeffrey P. Kushan, Esq.
Sidley, Austin, Brown & Wood LLP
Representing Biotechnology Industry
Organization

Stevan D. Mitchell, Esq.
Vice President, Intellectual Property Policy
Entertainment Software Association

Douglas T. Nelson, Esq.
Executive Vice President, General Counsel,
and Secretary
CropLife America

Timothy P. Trainer, Esq.
President
Global Intellectual Property Strategy
Center, P.C.
Representing the Thomas G. Faria
Corporation

Neil I. Turkewitz, Esq.
Executive Vice President
Recording Industry Association of America

Susan C. Tuttle
Government Programs Executive
IBM Corporation

Herbert C. Wamsley
Executive Director
Intellectual Property Owners Association

Anissa S. Whitten
Trade Director
Motion Picture Association of America, Inc.

Deborah E. Wiley
Senior Vice President
John Wiley and Sons, Inc.
Association of American Publishers, Inc.

Shirley Zebroski, Ph.D
Director, Legislative Affairs
General Motors Corporation