

INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE
2005 SPECIAL 301 REPORT
DISPUTE SETTLEMENT BASED ON
FREE TRADE AGREEMENTS CONCLUDED
WITH THE UNITED STATES

The U.S. government's negotiation of regional and bilateral free trade agreements (FTAs) offers an important opportunity to persuade our trading partners to further modernize their copyright laws and enforcement regimes. The FTAs have set new global precedents in copyright protection and enforcement, providing further impetus to e-commerce and to global economic growth and employment. However, these beneficial impacts of the FTAs will not be realized unless the obligations they create are rigorously fulfilled in the national laws of our trading partners. The U.S. government should be generous with advice and technical assistance in helping our FTA partners to fully implement the terms of the FTAs; but the government also should not hesitate to invoke the dispute settlement procedures of the respective FTAs whenever our partners decline to live up to the obligations which they have voluntarily undertaken and which constitute the commercial benefits of the deals for U.S. copyright industries. In this section of the report we identify outstanding FTA implementation issues with two of our partners—Jordan and Singapore—which we believe should be the basis for dispute settlement proceedings unless they can be promptly and satisfactorily resolved on an informal basis.

INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE

2005 SPECIAL 301 REPORT

DISPUTE SETTLEMENT

SINGAPORE

While the U.S.–Singapore Free Trade Agreement (USSFTA) entered into force on January 1, 2004, the copyright and enforcement obligations which it contains did not become fully operative until January 1, 2005. On that date, extensive revisions to Singapore’s Copyright Act, in the form of the Copyright (Amendment) Act 2004, took effect. (One USSFTA copyright obligation—extended terms of protection—took effect on July 1, 2004, under separate legislation.)

Singapore’s copyright law amendments made numerous changes and succeeded in bringing the country’s law into compliance with USSFTA requirements in most areas. Singapore should also be commended for the relatively transparent process which it followed in drafting these amendments. A draft of what became the Copyright (Amendment) Bill 2004 was posted for public comment in late July, with a comment deadline of August 18. While IIPA believes that a comment period of longer than three weeks would have been advisable for such a complex piece of legislation (which also included many significant statutory changes that were not required for USSFTA compliance), we recognize that this procedure offered far greater opportunities for public input than Singapore had offered in the past. It was also apparent that Singapore authorities seriously considered the comments they received, since many changes were made to the legislation before it was formally introduced and then rapidly approved by the Parliament.

However, despite these amendments, there remain some critical areas in which Singapore’s law, at least as of the date of this filing, fails to fully comply with the USSFTA. We hope that ongoing bilateral dialogue will succeed in resolving these problems, some of which will require further amendments to Singapore’s law. If, however, these efforts fail, IIPA urges USG to initiate the dispute settlement procedures of the USSFTA during 2005 to require Singapore to fully meet its FTA obligations. A non-exhaustive list of areas of current non-compliance includes the following.

Service Provider Liability

The Copyright (Amendment) Act 2004 made significant changes to Singapore’s law regarding the liability of network service providers. However, the resulting law, even when supplemented with proposed implementing regulations that are now pending, falls short of full compliance with USSFTA Article 16.9.22. For example:

- The law shelters from full liability a service provider that is receiving a financial benefit from infringing activity, under circumstances not recognized in Article 16.9.22.b.v.;
- When a service provider has not received a notice of claimed infringement from a right holder, the law provides a safe harbor even if the service provider has actual knowledge of infringement, or is aware of facts or circumstances from which infringing activity is apparent, but

nevertheless takes no action to remove or disable access to infringing material, in contravention of Article 16.9.22.b.v.;

- Contrary to Article 16.9.22.b.x., the law completely immunizes a service provider who restores access to material at the request of a subscriber, without granting the copyright owner (at whose request the access was originally disabled) a reasonable period of time to initiate legal action, and perhaps without even notifying the right holder of the “put-back” request;
- Singapore law lacks an expeditious procedure through which the right holder may learn the identity of the alleged infringer, as required by Article 16.9.22.xi.

Exceptions to the Reproduction Right

The Copyright (Amendment) Act, in sections 38A and 107E, created a new exception to the reproduction right that exceeds the bounds permitted under USSFTA Article 16.4.10. The exception applies to all copies that are “incidental” to the technical process of receiving a communication, even an infringing communication, or one that would have been infringing if made in Singapore. The Act also left undisturbed an even broader exception for “user caching” in Section 193E. The combined result is to give broad legal sanction to unauthorized copying within Singapore in connection with transactions carried out over the Internet. These exceptions must be substantially narrowed in order to meet the USSFTA standards (as well as those of the Berne Convention and the TRIPS Agreement).

Statutory Damages

Although the USSFTA Article 16.9.9 requires that Singapore provide right holders with an option for “pre-established” damages, amended section 119 of the Act creates a system in which the court may, in all cases in which statutory damages are elected, award merely nominal, or even zero, damages. This frustrates the goals of predictability and deterrence which statutory damages aim to achieve. The S\$200,000 (US\$122,000) ceiling on statutory damages in a single lawsuit should also be increased in order to achieve deterrence.

Technological Protection Measures

USSFTA Articles 16.4.7 and 16.9.5 have not been fully implemented because, among other reasons:

- The Singapore law gives the government the authority to categorically immunize all trafficking in devices and services that are aimed at circumventing effective technological measures to be listed in a future regulation;
- Deterrent criminal and civil remedies have not been provided for trafficking violations;
- The law only covers technological measures that have been “applied to copies”;
- The proposed implementing regulations would permit the circumvention of certain software access controls (dongles) that are not damaged or defective, or for which a functioning replacement can readily be obtained in the market.

IIPA encourages the U.S. and Singapore governments to continue dialogue aimed at resolving these and similar problems with the FTA implementing legislation.

INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE

2005 SPECIAL 301 REPORT

DISPUTE SETTLEMENT

JORDAN

The United States-Jordan Free Trade Agreement went into force on December 17, 2001,¹ triggering due dates for the government of Jordan to meet various requirements to protect intellectual property (as contained in Article 4 of the FTA). Jordan joined the WTO effective on April 11, 2000 and the Berne Convention effective on July 28, 1999, making it subject to those international obligations as well. The triggering dates for Jordan's FTA obligations were as follows:

- December 17, 2003: WIPO Copyright Treaty Articles 1-14 and WIPO Performances and Phonograms Treaty Articles 1-23;² national treatment [Article 4(3)-(5)]; and the substantive obligations in Article 4(10)-(16) of the FTA.³
- December 17, 2004: The enforcement obligations in Article 4(24)-(28).

IIPA urges the U.S. Government to initiate immediate dispute settlement consultations under Article 16 and 17 of the U.S.-Jordan Free Trade Agreement, and to take all steps necessary to resolve the dispute by bringing Jordan into compliance with the FTA as soon as possible. In IIPA's view, FTA deficiencies in Jordan include the following:

- **Communication to the Public, Making Available, Broadcast Right for Sound Recordings and Performances [FTA Article 4(12)]:** This FTA requirement has not been met by Jordan. The Copyright Law of Jordan (2003) (the "Law") provides producers of sound recordings with the right "[t]o make available to the public the phonogram, by wire or wireless means, in such a way that members of the public may access the phonogram at a time individually chosen by them," which is identical to the WPPT Article 14 right of "making available." The FTA requires Jordan to provide sound recording producers with an exclusive right to broadcast and communicate to the public of their phonograms by wired or wireless means, with the possibility of exceptions for analog transmissions and free over-the-air broadcasts (and the possibility of a statutory license for non-interactive services such as subscription or pay services).⁴ The government of Jordan has recognized that there is a deficiency in Jordan's law and has agreed to fix it in amendments.

¹ The FTA went into force when the United States formally notified the government of Jordan that it had taken necessary procedures to ratify the Agreement (Jordan had already ratified the Agreement in 2000).

² The FTA expressly states that the obligation to implement the WIPO Treaties does not apply to Articles 1(4) and 6(2) of the WCT, and Articles 5, 8(2), 12(2), and 15 of the WPPT.

³ Jordan also needed to accede to the WCT and WPPT by December 17, 2003; it missed this deadline, but joined the WCT on April 27, 2004 and the WPPT on May 24, 2004.

⁴ The Government of Jordan has apparently indicated that it will provide at a later stage an exclusive right of communication to the public for phonograms and performances, and that different options are being considered regarding the scope of the right and the exceptions that should apply to it in light of prevailing practices in Jordan.

- **Anti-Circumvention and Technological Protection Measures (“TPMs”) [FTA Article 4(13)]:** There are several noted deficiencies:
 - IIPA’s interpretation of the translations we have reviewed is that Article 55 of the Law may fail to cover all forms of “circulation” as required by the FTA regardless of whether there is a financial motive (Article 55 prohibits “[m]anufacturing, importing, selling, offering for sale, renting ... distributing or advertising in connection with the sale and rental of” circumvention devices).⁵ The U.S. Government should seek an amendment to provide for express language that is FTA-compatible.
 - The current law remains ambiguous on its face with respect to coverage of all components (i.e., “any part thereof”) as required by the FTA; the law covers “any device, service or process” which only arguably could cover components.⁶ Article 55 should be amended to expressly cover component parts (and code).
 - Under IIPA’s translations, the current law prohibits activities “primarily designed, produced or used for the purpose of circumventing, deactivating or impairing” TPMs; FTA Article 13 also requires Jordan to prohibit activity “performed or marketed” for engaging in such prohibited conduct, and requires Jordan to prohibit activity “that has only a limited commercially significant purpose or use other than enabling or facilitating” circumvention. The Jordan law does not provide these other two objective tests.⁷ The language “performed or marketed” and “limited commercially significant purpose” should be expressly added.
- **Government Legalization of Software [FTA Article 4(15)]:** The Jordan copyright law does not address the FTA requirement that Jordan must provide that all government agencies must use legitimate software, and must adequately manage government software usage. Such implementation may exist in other laws, regulations or decrees, but IIPA is not aware of them.
- **Exceptions and Limitations [FTA Article 4(16)]:** Exceptions and limitations were left untouched in the Jordan Copyright Law, as amended. A few exceptions may go beyond what is permitted under the Berne Convention, TRIPS, and the FTA. For example, it must be confirmed that Article 17(c) of the Law would never permit anthologizing of full articles to create textbooks,⁸ and that Article 20 of the Law would never permit photocopying of entire books, including entire textbooks without authorization, since that would certainly “[damage] the copyrights of the author” and “interfere with the normal exploitation of the work.”⁹ Specific

⁵ The Government of Jordan has apparently claimed that all forms of “circulation” of circumvention devices are covered because Article 55 of the Law prohibits *inter alia* the activities of distribution, and that such term is broad enough to encompass all forms of trafficking, whether or not done with the purpose of financial gain or profit.

⁶ The Government of Jordan has apparently indicated that while Article 55 does not expressly cover “part” of any device, service or process, the words “device, process or service” include, under “normal rules of interpretation,” any parts thereof. The U.S. Government should seek to clarify what is meant by “normal rules of interpretation” as to coverage of components (i.e., judicial interpretation).

⁷ The Government of Jordan has apparently indicated that a correct translation of Article 55 is “designed,” not “primarily designed” to circumvent, deactivate or impair TPMs. The government has also apparently indicated that under “proper rules of interpretation,” it may be inferred from the fact that any device, service, or technology has only a limited commercially significant purpose or use other than enabling or facilitating the prohibited conduct, that such device, service or technology is in fact designed to perform the prohibited conduct. Thus, the Government of Jordan claims, as presently worded, Article 55 is in compliance with the FTA. IIPA urges the U.S. Government not to permit the Government of Jordan to rely on so-called “proper rules of interpretation” to satisfy the FTA on such important points.

⁸ The Government of Jordan has apparently indicated that Article 17(c) is intended to implement Article 10(2) of the Berne Convention, and should definitely not allow for “anthologizing” of full articles to create textbooks. The government has indicated that Article 17(c) permits the utilization of work only by way of illustration, which should lead to the utilization of fragments or parts and not entire works. The government has said that an amendment to Article 17(c) of the Law will provide that such an exception will apply only to the extent that the utilization is compatible with fair practice, as provided in Article 10(2) of the Berne Convention.

⁹ The Government of Jordan has apparently indicated that Article 20 of the Law allows photocopying in educational institutions provided such practices do not cause damage to author’s rights and do not conflict with the exploitation of the work, and indicated that this article

exceptions [including Article 17(c) of the Law] should be narrowed through amendments to comply with the FTA [as required by FTA Article 4(16), as well as TRIPS and the Berne Convention]. The Government of Jordan could also expressly provide the three step test language in the chapeau to Article 17 of the Law, as well as to other exceptions as necessary.

- **Coverage of Sound Recordings in Criminal Provisions [Article 51(a)(2) of the Law]:** Article 51(a)(2) of the Law¹⁰ only expressly applies to works but not expressly to phonograms (or performances). Article 51(a)(2) must be amended to expressly apply to sound recordings (and performances) as well as works.¹¹
- **First Sale Provision May Impinge Upon Exclusive Rights (Article 15 of the Law):** Article 15 of the Law provides that the owner (purchaser) of copies of a work has a “right to show them to the public.” IIPA believes there may be an issue with translation from the Arabic in this instance, because, read on its face, this provision would violate TRIPS and the FTA (i.e., the ability to show or “publicly perform” a work without authorization after purchase of a physical copy would violate exclusive rights of the copyright owner). Assuming the translation (or the alternative translation, “right to make available to the public”) is correct, this clause must be deleted. It should also be confirmed that transfer of ownership of the original or a copy of the work in Jordan would not entitle the person possessing such copy to further commercially rent it or import it into Jordan.
- **Compensatory Damages [FTA Article 4(24)]:** Article 49 of the law (not amended in 2003) does not appear to comply with Article 4(24) of the FTA, and may leave Jordan in immediate violation of its TRIPS obligations. The FTA is a more detailed enumeration of the TRIPS standard in Article 45 with respect to civil compensatory damages. Article 4(24) of the FTA fleshes out what is meant by the TRIPS text, by, among other things, requiring “the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered as a result of the infringement and any profits of the infringer that are attributable to the infringement that are not taken into account in computing such damages.” In addition, the FTA confirms, “[i]njury to the right holder shall be based upon the value of the infringed-upon item, according to the suggested retail price of the legitimate product, or other equivalent measures established by the right holder for valuing authorized goods.” Article 49 of the Jordan law only refers to “a fair compensation,” and states that “adjudicated compensation for the author shall in this case be considered a privileged debt with respect to the net price of the sale of the objects which were used to infringe his rights and the sum of money seized in the lawsuit.” Article 49 appears to impose a calculation of the infringer’s profits plus actual amounts seized from the infringer. Such damages could not possibly be adequate on their face to adequately compensate a right holder, and leave Jordan’s law short of compliance with TRIPS and the FTA.
- **Deterrent Statutory Maximum Fines [FTA Article 4(25)]:** Statutory maximum fines were doubled, from JD3,000 (US\$4,250) to JD6,000 (US\$8,500). These maximum fines should be

should not condone the photocopying of entire books.

¹⁰ Article 51(a)(2) of the Jordanian Copyright Law provides that anyone who “offers for sale, distribution or rental a counterfeit work or copies thereof, transmits a counterfeit work to the public in any manner, uses a counterfeit work for material gain, brings counterfeit work into or out of Jordan, knowing or having adequate reason to believe that the work is counterfeit” commits a crime.

¹¹ The Government of Jordan has apparently indicated that Article 53 of the Law (which applies various provisions, mutatis mutandis, to sound recordings/performances) will be amended in order to apply also to infringement of sound recordings and performances.

increased to at least JD10,000 (US\$14,200). The FTA Article 4(25) test is whether penalties “deter future acts of infringement with a policy of removing the monetary incentive to the infringer.” TRIPS Article 61 requires availability (and imposition) of “monetary fines sufficient to provide a deterrent.”

- **Seizure of Documentary Evidence [FTA Article 4(25)]:** There is also no express provision in Jordan’s law as amended for seizure of documentary evidence, as is required by Article 4(25) of the FTA.
- **Ex Officio Enforcement Authority [FTA Article 4(26)]:** The FTA sets forth that Jordan must “provide, at least in cases of copyright piracy or trademark counterfeiting, that its authorities may initiate criminal actions and border measure actions *ex officio*, without the need for a formal complaint by a private party or right holder.” Jordan must do this by December 17, 2004. There is nothing in Jordan’s copyright law that authorizes *ex officio* action.
- **Presumptions [FTA Article 4(27)]:** The Berne Convention requires a presumption as to authorship, and the FTA goes further to require presumptions as to ownership and subsistence of copyright for works, performances and phonograms. The Jordan law does not expressly provide even the Berne presumption. Jordan must amend its law to provide presumptions of ownership and subsistence of copyright that are consistent with the FTA.
- **Criminalization of Piracy for “No Direct or Indirect Motivation of Financial Gain” (“Net Act”/Not-For-Profit) (FTA Article 4(27)):** Article 61 of the TRIPS agreement requires the criminalization of copyright piracy on a commercial scale. Since piratical acts (such as those occurring over the Internet) can cause devastating commercial harm regardless of any profit motive, TRIPS requires criminalization even of acts that may not have a motive of financial gain, but cause significant commercial harm. Article 4(27) of the FTA recognizes this fact in requiring Jordan to “provide that copyright piracy involving significant willful infringements that have no direct or indirect motivation of financial gain shall be considered willful copyright piracy on a commercial scale.” Jordan’s legislators have apparently also recognized the nexus between the FTA provision and TRIPS, since they enacted changes to Articles 9 and 23 of the Law, which are unclear but could be interpreted broadly to result in the criminalization of acts taken even without profit motive. The amendments removed the phrase “for financial gain” from the enumerated exclusive rights for works and sound recordings (and performers). Since Article 51 of the Law criminalizes the exercise of exclusive rights without authorization (without regard to motive of financial gain), it may now be interpreted as criminalizing infringers who infringe without “direct or indirect motivation of financial gain,” as required by the FTA. Nonetheless, it would be helpful for guidelines issued in relation to this Article to clarify that there need be no profit motive in order for a defendant to be criminally liable under Article 51 of the Law.
- **Altering Features in Seized Materials Impinging on Exclusive Adaptation Right [Article 47(a)]:** Article 47(a) of the Law provides that, as an alternative to destruction of infringing goods found in a seizure or raid, a court may “order the features of the copies, reproductions and equipment to be altered,” which is not permitted under the FTA enforcement text. Alteration of copyrighted works in this way without approval of the copyright owner would be a violation of the author’s adaptation right [Article 9(b) of the Law], and would violate the TRIPS Agreement and the Berne Convention (and the FTA).

- **Customs/Border Provisions:** There are no customs/border provisions in the Jordan copyright law. In addition to being an FTA requirement [e.g., Article 4(26) of the FTA requires border measures to be carried out by authorities on an *ex officio* basis], border measures are required under TRIPS. The government of Jordan should enact statutes that deal with these requirements as quickly as possible.

In addition to failing to meet various requirements set forth above, the Government of Jordan introduced a new regulation in which the censorship fees for all audio-visual carriers were substantially increased. IIPA believes these new censorship fees in Jordan violate GATT rules on national treatment and GATT Article VIII on Fees and Formalities.