

INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE

2002 SPECIAL 301 REPORT

URUGUAY

EXECUTIVE SUMMARY

Because of the long delays in passing much-needed copyright legislation, the continued legislative march to adopt an objectionable bill on computer software and the ineffective criminal and civil enforcement against high levels of copyright piracy, IIPA recommends that Uruguay remain on the Special 301 Priority Watch List this year. Furthermore, IIPA requests that the GSP Subcommittee initiate a review of the GSP country eligibility of Uruguay for its failure to provide adequate and effective copyright protection for U.S. copyright owners. If requisite improvements are not made in Uruguay to remedy these deficiencies in the near future, then IIPA requests that the U.S. suspend its eligibility or withdraw GSP benefits of Uruguay, in whole or in part.

Uruguay has been working for over a decade to reform its 1937 copyright law in order to improve both the substantive standards of copyright protection and Uruguay's enforcement mechanisms. While the May 2000 version of the comprehensive copyright bill represented an improvement over earlier texts, its progress was reversed in 2001, and legislative momentum stalled. To compound matters, the objectionable 2000 version of a software-only bill was amended (solving some objections, but creating new ones) and passed by the Senate in December 2001, and is now pending before the Chamber of Deputies before final adoption.

As a member of the World Trade Organization, Uruguay fails to meet the TRIPS-level standards of both substantive copyright protection and enforcement. Without a new copyright law, it will remain virtually impossible to protect copyrighted materials or provide effective enforcement in Uruguay, especially as technology changes and new market opportunities for the creation and distribution of legitimate copyrighted products appear. Copyright piracy levels in Uruguay continue to remain high. Enforcement at the borders needs to be significantly improved, especially given the growth of optical media piracy in the Mercosur region. The U.S. copyright industries lost at least an estimated \$21 million due to piracy in Uruguay in 2001.

URUGUAY: ESTIMATED TRADE LOSSES DUE TO PIRACY
(in millions of U.S. dollars)
and LEVELS OF PIRACY: 1996 - 2001

INDUSTRY	2001		2000		1999		1998		1997		1996	
	Loss	Level	Loss	Level	Loss	Level	Loss	Level	Loss	Level	Loss	Level
Motion Pictures	2.0	40%	2.0	65%	2.0	65%	2.0	65%	2.0	75%	2.0	65%
Sound Recordings / Musical Compositions	4.0	50%	4.0	35%	4.0	35%	3.0	25%	2.0	25%	2.0	25%
Business Software Applications ¹	13.0	74%	7.9	66%	16.0	70%	13.1	72%	11.0	74%	13.9	80%
Entertainment Software	NA	NA	16.3	82%	6.9	70%	7.6	74%	7.0	70%	7.2	73%
Books	2.0	NA	2.0	NA	2.0	NA	2.0	NA	2.0	NA	2.0	NA
TOTALS	21.0		32.2		30.9		27.7		24.0		27.1	

In his April 30, 2001 Special 301 announcement, U.S. Trade Representative Zoellick noted: "We have been pressing Uruguay to reform its outdated patent and copyright legislation since 1997, and despite repeated engagement and consultations on the necessary amendments, serious deficiencies remain in its intellectual property rights regime. Uruguay's draft copyright legislation has become entangled in legislative wrangling and currently contains numerous shortcomings even in its draft form, most notably the separation from the comprehensive copyright bill of software protection into a stand-alone bill. Enforcement of both criminal and civil copyright cases is weak and sporadic. The United States urges Uruguay to fix these and other flaws in its intellectual property legislation as soon as possible."²

COPYRIGHT LAW AND LEGAL REFORM

The Copyright Law of 1937 Fails to Satisfy TRIPS Standards and Bilateral Trade IPR Standards of "Adequate and Effective" Protection

Copyright protection in Uruguay is afforded under its 1937 copyright law, Law No. 9739, as amended in 1938.³ Separate but deficient anti-piracy legislation aimed at combating piracy of sound recording producers was passed in the 1980s.⁴ Uruguay has not fulfilled its TRIPS obligations. IIPA repeats below our summary of the key legal, substantive copyright TRIPS deficiencies found in the current 1937 copyright law, which fail to provide adequate and effective protection to U.S. copyright owners:

¹ BSA loss numbers for 2001 are preliminary. In IIPA's February 2001 Special 301 filing, BSA's 2000 estimates of \$15.4 million at 67% were identified as preliminary. BSA finalized its 2000 numbers in mid-2001, and those revised figures are reflected above.

² Press Release 01-25, Office of the United States Trade Representative, "USTR Releases Reports Emphasizing Enforcement Priorities," April 30, 2001.

³ IIPA does not have any knowledge or text of any major subsequent amendments made to the law.

⁴ See Law No. 15.289 of 1982; Law No. 541 of 1984.

- Inadequate term of protection for works, phonograms and performances (TRIPS Articles. 9, 12 and 14.5): The term of protection for authors is life plus 40 years, well short of the basic TRIPS minimum of life plus 50 years. There is no specific term of protection for sound recordings in the law, although they are likely considered to be “works.”
- Protection for computer programs (TRIPS Article 10): Computer programs are not expressly protected in the copyright law, but by executive decree. Explicit integration in the copyright law as “literary works” is necessary. Despite this deficiency, BSA has been able to conduct anti-piracy operations, albeit with some procedural difficulties. The lack of express protection for software fosters a state of uncertainty and creates a risk of unfavorable court decisions which jeopardize these anti-piracy actions and expose the copyright owners to what otherwise would be baseless damage suits.
- Unclear protection for compilations of data (TRIPS Article 10): It is unclear whether the current copyright law adequately protects “compilations of data or other materials, whether in machine-readable or other form,” as described fully in TRIPS. Such specific language (especially regarding the machine-readable element) does not appear in the 1937 law.
- Incomplete scope of retransmission rights (TRIPS Article 9.1): The “right to disseminate” in Article 2 of the law includes “dissemination by any mechanical means, such as the telephone, radio, television and other like processes.” It is not entirely clear from the law whether this article encompasses the specific retransmission rights found in Article 11*bis* of the Berne Convention. IIPA is not aware whether other Uruguayan laws, such as communications or media laws, elaborate on whether or not such retransmission rights are covered. It is important that this Berne Convention/TRIPS right be afforded in the Uruguayan law.
- No express rental rights (TRIPS Articles 11 and 14.4): The 1937 law does not have an express rental right for computer programs and sound recordings. Article 2 does contain a broad right of “alienation,” along with the specific rights to reproduce, publish, translate, perform and disseminate works “in any form, or to authorize other persons to do so.”⁵ Nonetheless an express rental right for computer programs and sound recordings should be included in Uruguay’s copyright law.
- Overbroad broadcasting compulsory license (TRIPS Article 13): One article in the copyright law describes almost a dozen cases involving acts which are “not deemed to be unlawful reproductions.” In particular, Article 45(10) permits the “transmission of sounds or images by broadcasting stations or any other means operated by the State, when such stations have no commercial purpose and operate solely for cultural purposes.” Nowhere

⁵ It is possible, therefore, for the government of Uruguay to argue that its broader right of “economic exploitation” (as mentioned in Article 33) does encompass a right of rental. MPAA reports that, in the spring of 1999, it finally obtained a judicial decision that the rental of pirate videos was a copyright infringement; the appellate court reportedly expanded the term distribution to include sale or rental. IIPA does not have the text of this case. Our point here is to show that this rental issue remains of timely concern, especially as it applies to computer programs and sound recordings as required by TRIPS.

does this provision mention anything about remuneration, which could have suggested a Berne-compatible outcome. It appears that this compulsory license may not have been invoked to date, but nevertheless, as written, this provision violates TRIPS. This provision also could adversely affect the rights of producers of sound recordings.

- Retroactivity (TRIPS Articles 9.1, 14.5, and 14.6): Given the short terms of protection under the 1937 law (above), IIPA harbors concerns over Uruguay's application of full protection to pre-existing works, phonograms and performances whose term of protection have not expired in the country of origin.

Efforts to revise the proposed comprehensive copyright legislation in mid-2000 undermined earlier progress so that the proposed copyright law (of March 2001) now contains unacceptable provisions.

Uruguay has been working on copyright legislation reform for over a decade. There have been numerous versions of copyright legislation over the years, starting in the early 1990s, followed by bills in 1995, again in 1996, 1997, 1999 and two in 2000 (and approved by one house in March 2001). To varying degrees, these bills did address many of the basic TRIPS deficiencies. However, *all* the bills have required additional improvement and refinement on TRIPS issues. Despite these legal deficiencies in the copyright realm, Uruguay has continued to receive benefits under the GSP Program.

Legislative Efforts, 2000-2001: On January 1, 2000, Uruguay's obligations under the WTO TRIPS Agreement entered into effect. The copyright industries cannot support legislation which fails, at the very minimum, to satisfy TRIPS. In addition, one of the copyright industries' current challenges around the world is to elevate the levels of substantive copyright laws to account for changes in the digital environment. Modern copyright laws must respond to this fundamental change by providing that creators have the basic property right to control distribution of copies of their creations. Copyright owners must be able to control delivery of their works, regardless of the specific technological means employed. Many of these changes are contemplated by the two WIPO treaties – the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT). In fact, Uruguay signed both these treaties in 1996, but has yet to adopt instruments of ratification to deposit with WIPO. The Uruguayan government should be encouraged to ratify and deposit as soon as possible. Uruguay should include the basic rights afforded in both treaties in its new legislation (see WIPO update, below).

Legislative efforts on copyright reform took a downhill turn in mid-2000. In May 2000, a comprehensive copyright bill was sent to the Congress,⁶ and was considered by the Education and

⁶ *Derechos de Autor y Derechos Afines, Comisión de Educación y Cultura, Carpeta No. 255 de 2000; Repartido No. 161, Junio de 2000.* On the positive side, many of the amendments in the May 2000 version copyright bill reflect raising the levels of protection up to TRIPS level. For example, improvements included: expanding the scope of protected subject matter to include computer programs and databases; adding a distribution right (which includes both rental and importation); revising the rights of broadcasting and public communication; adding TRIPS-level protection for performers and producers of sound recordings. With respect to civil remedies, the May 2000 bill provided that a civil or criminal judge could authorize a judicial inspection without advance notice to the target; this is an essential tool for the copyright industries. The May 2000 bill did appear to recapture those works and other "productions" (presumably including phonograms) which fell into the public domain by giving them the longer term of protection set forth under the bill.

Culture Committee of the Chamber of Deputies. This May 2000 copyright bill, like its 1997 and 1999 predecessors, represented an improvement over the current 1937 copyright law (although additional revisions were needed). Industry worked to improve the scope of this legislation. However, further amendments were made to this bill in the fall of 2000 which significantly weakened the scope of protection, especially in that it removed computer programs as protected subject matter entirely and drastically cut key enforcement provisions. The Education and Culture Committee approved the comprehensive copyright bill and forwarded it to the Chamber of Deputies on December 29, 2000.

This December 2000 version of the comprehensive copyright bill was subsequently introduced to the Chamber of Deputies and approved by the full Chamber on March 22, 2001. Copyright industries' representatives again worked to make amendments to this legislation, but most of the proposals were not accepted. The March 2001 bill, however, appears to be almost identical to the TRIPS-deficient and GSP-incompatible December 2000 version. The copyright bill has been forwarded to the Education and Culture Committee of the Senate, where it remains under consideration. It appears that legislative consideration of this bill has been held up due to concerns expressed by numerous industry sectors as well as the U.S. government. Some Uruguayan legislators, upset with the entire copyright reform process, have been reported to be contemplating drafting yet another copyright amendment bill, one which would amend the 1937 law and not be an entirely new piece of legislation. We have heard one report that the comprehensive copyright bill is no longer on the legislative agenda.

The March 2001 Comprehensive Copyright Bill: For illustrative purposes, below is a list of the major issues which IIPA identified in the December 2000 copyright legislation.⁷ A more detailed explanation of these bulleted issues can be found in IIPA's June 2001 GSP IPR Petition against Uruguay:

- **Computer programs:** All provisions affording protection for computer programs were deleted from this comprehensive copyright bill last year. The copyright industries continue to oppose the separate *sui generis* software bill (see discussion below) and assert that protection for computer programs should be fully integrated into the comprehensive copyright reform legislation.
- **Criminal penalties:** The level of criminal penalties was slashed. The 2001 bill has half the number of articles as the May 2000 bill. Many of the criminal penalties were cut from three years to two years of imprisonment. Harmful language requiring "commercial intent" was added, and this element should be removed. Articles in prior legislation which criminalized bootlegging, the interception of a television broadcast, the decoding of encoded satellite signals, or the circumvention of technical protection measures were removed in their entirety. There seems to be a huge gap in penalties for unauthorized acts involving right of communication and performance. The bill continues to reflect

⁷ This discussion is based on an English translation of this December 2000 legislation, which the IIPA received in April 2001. As mentioned above, IIPA has been informed that the March 2001 version closely tracks the December 2000 bill. We do not have any current information on whether additional proposals to amend this legislation have been made and/or are pending. If additional amendments have been made to the pending legislation, IIPA and its members reserve the right to provide additional comments on those proposals.

Uruguay's long silence regarding fines as criminal sanctions; ideally, both jail terms and fines should be available for infringement.

- Civil sanctions: The 2001 bill has halved the number of articles affecting civil sanctions present in the May 2000 bill. The article on damages no longer contains provisions giving copyright owners the ability to claim all profits and income earned by the infringer. Also eliminated was a provision resembling a statutory damages provision in which the copyright owner could choose between actual damages and a multiplier of damages in cases of willful misconduct.
- Precautionary measures: The March 2001 bill continues to contain important provisions regarding civil *ex parte* measures which judges can grant without notice to the suspect. However, other amendments resulted in the removal of a provision in the May 2000 bill which would have permitted judges to order the alleged infringer to provide any evidence under its control; the failure to provide such evidence meant that the judge could take action based on available information. Positive amendments to clarify the kinds of injunctive relief have been undercut by a new requirement that judges act based on requests made by the titleholders.
- Border measures: Article 137 on border measures was improved, along the lines of the TRIPS text 10-day provisions on suspension and release of suspect goods. However, customs authority to act *ex officio* or seize and hold suspect shipments is, at best, unclear. Given the amount of pirated and counterfeited product that crosses the Uruguayan border with ease, both for domestic consumption as well as for transshipment to major counterfeit distribution centers such as Ciudad del Este in Paraguay, it is imperative that Uruguay's border measures be at least TRIPS-compliant and vigorously enforced.
- Exclusive rights for authors: In order to properly implement the two WIPO treaties, it is vital that the bill clearly include temporary copying as part of the reproduction right (see Articles 26 and 106). This is critical for owners of copyrights and neighboring rights to enforce their rights in the digital environment. The March 2001 bill revised earlier drafts, which had provided a broad exclusive right of importation. It is possible that parallel import protection could still be provided here; again, clarity on this point is needed.
- Exclusive rights for record producers: The March 2001 bill corrected an omission in earlier drafts and now includes a WPPT "making available" right for producers of phonograms. The bill also eliminated the explicit importation right, although it is arguable that importation could fall within the existing distribution right afforded sound recording producers; clarity on this point is needed. In addition, record companies need to have broad exclusive rights over all forms of communication in recognition of changes in technology that have changed the way in which music consumers get, and will get, access to recorded music.
- Term of protection: The March 2001 bill reflects Uruguay's efforts to shorten terms of protection from life plus 70 years (or 70 years after publication/fixation) found in the 1997 bill, down to life plus 50 years (the TRIPS minimum). IIPA recommends that the longer terms, which reflect the international trend, be inserted into the May 2000 bill for all protected subject matter. In addition, term should be 95 years from first publication in cases where the author is a legal entity and for producers of phonograms.

- Work for hire: The March 2001 bill provides that works created under contract will be ruled by the agreement of the parties; an earlier bill had provided that the employee assign its economic rights to the employer.
- Overbroad exceptions to protection: The March 2001 bill does not appear to make any changes to the various objectionable provisions IIPA has identified in prior draft legislation, and adds at least one more overbroad provision.
- Broadcast compulsory license: The May 2000 bill properly removed the TRIPS-incompatible broadcasting compulsory license found in Article 45(10) of the 1937 law. However, a new broadcasting compulsory license proposed (in Article 43) provides that it is legal for a broadcaster, without authorization from the author (copyright owner) but with the previous payment of remuneration, to publicly retransmit or transmit publicly by cable a work originally broadcast by the broadcaster with the copyright owner's consent, as long as the retransmission or public transmission was simultaneous with the original broadcast and the work transmitted by broadcasting or public transmission was unaltered. In this case, our industries prefer that copyright owners and broadcasters negotiate terms of payment and uses of their works via contract. It is imperative, however, that any compulsory licenses follow the terms of Berne Article 11*bis* (and TRIPS).⁸
- Blank tape levy: The bill contains a private copy levy (which is linked to the private copy exception). It remains unclear whether the collection and distribution of the blank tape levies collected for reproduction of works in graphic form, by video and by sound recordings will be based on the principle of national treatment. It will be important to monitor the process for the collection of such levies, which will be established by regulation after the copyright law enters into effect.
- Private copying levy and national treatment: The bill should make clear that the exception for private copying does not apply to copying in digital or high definition analog formats.
- Moral rights: The scope of moral rights of attribution and integrity for performers has been expanded over current law. In IIPA's view, moral rights should be waivable (or said another way, an author should be able to exercise moral rights by consenting to acts that might otherwise violate moral rights). Because these are personal rights, they should not subsist after the author's death, nor should they be transferred to other entities, including government agencies. In addition, activities like dubbing or editing a motion picture (which could be considered "mutilating" performances) are normal and reasonable practices of the audiovisual industry. Therefore, they should be explicitly excluded from the scope of the performer's moral right of integrity.

⁸ A key concern with this provision is that it must not be interpreted or applied in such a manner that would permit broadcasters to transmit or retransmit (via either rebroadcasting or via cablecasting) copyright-protected audiovisual programming over the Internet. Such "streaming" should not be subject to any compulsory licensing scheme. IIPA and our members harbor a concern that Uruguayan broadcasters who also own cable systems may expand the scope of this compulsory license and use their cable infrastructure to transmit programming to the Internet.

- Administrative remedies: IIPA continues to request clarification from the Uruguayan government on how the “competent administrative authorities” will act in situations involving unauthorized public communication of works.
- Anti-circumvention and rights management information: The March 2001 bill continues to omit provisions for criminal and civil liability involving the protection of technological measures and rights management information, both of which are key elements of the two WIPO treaties. Further work is needed to properly implement the obligations of the WIPO treaties.

This reflects a summary of the key issues which IIPA has highlighted publicly over the past few years. There may be additional comments and suggestions for legislative consideration which we and our member associations reserve the right to advocate.

The *sui generis* software legislation proposed in 2000 was amended and adopted by the Senate in December 2001 over the strong objections of industry and U.S. government representatives.

Because of the difficulty in moving forward with the comprehensive copyright legislation, the Uruguayan government supported the development of a bill which was aimed at establishing copyright protection for computer programs only. The bill was adopted by the Chamber of Deputies by unanimous vote on October 10, 2000.⁹ On October 25, 2000, the bill was forwarded to the Senate, which changed the bill’s name and redrafted several portions of it.¹⁰ Over the past 18 months, local and foreign software industry representatives have, on multiple occasions, expressed their opposition to the software-only bill to both the Chamber of Deputies and the Senate. The software-only bill approved by the Chamber of Deputies contained very troubling provisions. Its enactment would have represented a major setback in copyright protection for the software industries. The Senate’s version of the bill has not improved the situation.

IIPA and BSA objected to that 2000 software-only bill approved by the Chamber of Deputies – and importantly, the entire legislative initiative – for a variety of reasons:

- The bill took a *sui generis* approach to protecting computer software, establishing a separate legal regime from other copyrighted materials. There is a reasonable concern that a separate regime may lead the Supreme Court of Justice of the Republic of Uruguay to overturn the only conviction for software copyright infringement that was obtained in

⁹ *Proyecto de Ley sobre Derechos de Autor sobre Programas de Ordenador (Comisión de Educación y Cultura, Carpeta No. 568 de 2000) (“Proyecto de Ley de Soporte Lógico”).*

¹⁰ *Proyecto de Ley sobre Creaciones Informáticas (Comisión de Educación y Cultura, Carpeta No. 307 de 2000).*

Uruguay¹¹ based on the notion that software was not protected under the Copyright Law of 1937.

- The software-only bill was poorly drafted. It lacked clear definitions and used non-standard terms to refer to complicated legal issues. The bill did not establish what the copyright holder's exclusive rights are and it failed to incorporate by reference the rights found in the copyright law now in effect.
- Its proposed remedies and sanctions were inadequate. If approved, the bill would have reduced criminal penalties for copyright infringement and, in some cases, it would have completely decriminalized certain infringing acts such as the unauthorized reproduction of software by end users. In fact, the bill expressly exempted end users from criminal liability for copyright infringement through the use of unauthorized copies of software, unless they then resold those pirated copies.
- It contained very broad exceptions to protection which were clearly TRIPS-incompatible. The bill also failed to include a civil *ex parte* search remedy.
- The bill included onerous consumer protection measures and established compulsory warranty and service provisions. These proposed consumer protection measures went beyond those contained in the Uruguay Consumer Protection Act. Thus, the bill discriminated against the software industries by placing more onerous requirements than those imposed on any other commercial entity.

The copyright industry has been very clear in its representations to Uruguayan government officials that we strongly oppose the concept of creating a separate (*sui generis*) copyright regime for computer programs. However, given that there was a software-only bill pending in the Uruguayan Senate that was moving forward, we advocated that the immediate protection for computer programs could and should be accomplished only by converting the pending software-only bill into a one-article bill declaring that computer programs are protected under the existing copyright law. We opposed any additional articles in a software-only bill which would address issues such as transfer of ownership, burdensome consumer protection measures, or separate

¹¹ "G.M.H.D. s/ Edición, venta y/o reproducción ilícita de una obra literaria (Art. 46 Ley 9.739, Art. 23 ley 15.913), Juzgado de Primera Instancia en lo Penal de 15° Turno Sentencia N° 65 November 20, 1997, upheld by Tribunal de Apelaciones en lo Penal de 1er. Turno, Sentencia N° 84 May 14, 1999, Ficha N° 210/98. That conviction stemmed from a criminal complaint that the BSA filed in 1992 against a software reseller. During a raid at the reseller's place of business, the police found and seized hundreds of diskettes containing illegally reproduced software. During the course of his trial, the reseller admitted that he copied the software without authorization and with the intention to distribute it. In his defense he argued that: (1) software was not a copyrightable work; and (2) the unauthorized reproductions were for educational purposes only. On November 20, 1997, the *Juzgado de Primera Instancia en lo Penal No. 15* (Criminal Court) found software, although not expressly recognized as a protected work in the 1937 copyright law, was a literary work and that its unauthorized reproduction and distribution was a crime. The Court convicted the reseller to eight months of imprisonment for "illegally reproducing a literary work." The defendant appealed and the *Tribunal de Apelaciones* (Court of Appeals) upheld the decision on May 14, 1999. He appealed again and the case is currently under review of the Supreme Court of Justice of the Republic of Uruguay.

criminal penalty structures or interpretations. During the summer of 2001, an 11-article version of this bill was circulating.

Our efforts to minimize the damage caused by *sui generis* legislation on software were not successful. Further amendments were made to this bill, and the Uruguayan Senate adopted a nine-article software-only bill on December 19, 2001.¹² In addition to the general problems with *sui generis* legislation (identified above), the December 2001 software-only bill, as passed by the Senate, also included the following new problems:

- With respect to penalties, the December bill limits criminal copyright infringement to the "for profit" reproduction, distribution and warehousing of illegal copies of software. "For profit" is not defined, thus leaving open a huge gap in judicial interpretation (for the software industry, this could easily mean that end-user piracy would fall outside this provision). In fact, a senator involved in drafting the bill has indicated that his intention was to decriminalize end-user software piracy.
- Articles 1-5 are unchanged (scope of protection, work for hire). The specific article on software licensing has been dropped, and the provision regarding consumer remedies has been redrafted slightly. The article on precautionary measures (now Article 9) appears unchanged. Deleted was the old Article 9 which contained a basic statutory damages provision; it has been revised in an unsatisfactory manner (now in Article 8).
- The criminal penalties section has been rewritten into a new Article 7. While the objectionable language of the old bill (which threatened to undermine penalties for all protected subject matter, not just computer programs) has been deleted, the criminal penalties (which now appear to apply only to computer programs and databases, the subject matter listed in Article 1 of this bill) still do not provide effective deterrence against software piracy (and especially end-user piracy which, if the bill is approved, would carry no criminal penalties).
- This bill sets a more stringent standard for proving infringement of software, both in the criminal and the civil context, than for all other protected works:
 - Article 46 of the 1937 copyright law (as amended) does not require that a profit motive ("fin de lucro") be shown for criminal penalties to attach to an infringement. Article 7 of the software bill, however, requires a "for profit" showing.
 - On the civil side, Article 51 of the 1937 law provides for compensation for damages *and* all the benefits or revenue received by the defendant as a result of the infringement. The new bill limits civil compensation to "adequate" damages and the *discretionary* award of fees and costs if the history of the case merits it. The new bill also creates a civil fine, of up to three times the retail value of the pirated software. It is up to the judge's discretion to impose the fine and the funds obtained through this mechanism are intended for an Elementary Education fund (ANEP).

The software-only bill went back to the Education and Culture Commission of the Chamber of Deputies on December 27, 2001. The bill could possibly be considered on the floor

¹² *Proyecto de Ley sobre Creaciones Informáticas (Comisión de Educación y Cultura, Carpeta No. 307 de 2000).*

of the Chamber of Deputies as early as February 2002. Software industry representatives will again attempt to achieve some changes. The position of both the BSA and the local software associations is that the bill under consideration discriminates against the software industry and represents a step backward in the protection of software. The bill should not create different criminal penalties for different types of protected works. BSA and the local software associations only support a one-article bill that would enact the Judiciary's interpretation that software is a literary work and is protected as such under the copyright law of 1937.

The Uruguayan government has told industry officials that they believe that the industry will not suffer any commercial damage inflicted by this new legislation. That conclusion is, at most, premature considering the business software piracy rate increased to 74% in 2001, which is 8 percentage points higher than those reported for the previous year.

WIPO Treaties

Prompt ratification and implementation of the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT) in as many countries as possible is an essential element in the strategy to foster the growth of global electronic commerce. The WCT will go into force on March 6, 2002, while the WPPT requires only two more deposits as of the date of this filing, deposits which are sure to come shortly.

Uruguay is a signatory to both of the 1996 WIPO "digital" treaties. On April 2, 1998, Uruguay's Executive Branch submitted documentation for ratification of both treaties to the Chamber of Deputies that initially approved the treaties on December 12, 1998.¹³ A year later, the bills passed to the Senate on March 3, 1999, where they have been under consideration of the Foreign Affairs Commission. President Batlle requested the Commission's prompt consideration of the bills, but they remain pending. The ratification process has slowed as Congress waited for the approval of the new copyright law (which is now off track). Because Uruguay is eager to see itself as a high-tech economic center in the region, joining these two treaties would help foster Uruguay's commitment to modern copyright development. Of course, further amendments to its current law would be needed to fully implement the treaties into national legislation.

COPYRIGHT PIRACY IN URUGUAY

Copyright piracy levels and estimated losses due to piracy have remained consistently high in Uruguay for the last few years. In fact, over the last year, BSA has observed an increase in Internet piracy activity through the offering of illegal software on websites and auction sites. BSA has filed several criminal complaints against these software pirates, but the cases have either been dismissed for "criminal policy reasons" or have been pending for months without resolution (see below).

¹³ *Tratado de la OMPI sobre Interpretación o Ejecución de Fonogramas y las Declaraciones Concertadas relativas al Tratado de la OMPI sobre Interpretación o Ejecución de Fonogramas, Carpeta No. 2506 de 1998) and Tratado de la OMPI sobre Derechos de Autor y Declaraciones Concertadas relativas al Tratado de la OMPI sobre Derechos de Autor, Carpeta No. 2507 de 1998.*

Most business software piracy in Uruguay revolves around illegal copying of computer programs. This type of piracy takes two forms: end user piracy and channel-piracy. End user piracy occurs when an end user makes illegal copies of a particular software program for their own use. Channel piracy involves the illegal distribution and sale of illegal copies of software through the sale of counterfeit or otherwise illegal copies of software programs in optical disk or diskette form, or through the illegal loading of software programs onto the hard disk of personal computers that are then sold to the public without a user manual, certificates of authenticity, or other documentation that properly loaded software would include. Despite BSA's efforts to reduce business software piracy during the past year, the estimated piracy levels in Uruguay jumped from 66% in 2000 to 74% in 2001, and estimated losses suffered by the U.S. software industry also rising to \$13.0 million.

The motion picture industry reports that video piracy continues to interfere with the development of a legitimate video market in Uruguay. Back-to-back copying in individual video clubs continues to be the dominant piracy method. MPA Uruguay program investigations have not uncovered evidence of organized pirate video duplication laboratories. Pre-release video piracy appears to originate from the contraband Paraguayan production and distribution structure. The 2001 estimated video piracy rate was 40%, a decline from prior years which may be attributed to improved local distribution of legitimate video product. Unauthorized public performance of videos continues to present a seasonal problem, primarily over closed circuit cable systems in the tourist hotels in Punta del Este. Limited cable television piracy also exists in Uruguay, primarily in the interior, where small cable operators offer their subscribers unauthorized video transmissions. Losses to the U.S. motion picture industry due to audiovisual piracy in Uruguay are estimated to be \$2 million in 2001.

The recording and music industries report that the unrestricted illegal replication of CD-Rs (recordable CDs) has become its major piracy. The number of CD burners in Uruguay has grown tremendously, as has CD-R piracy. In addition to affecting the Uruguayan market, shipments of pirated products for ultimate delivery in Brazil, were found in Montevideo's Free Zone, known as Florida. After the IFPI's national anti-piracy group (known as CUD) conducted its initial investigations, it found that Uruguay is also being used as a transshipment center for pirate product and blank CD-Rs (to be used for piracy purposes) bound to Brazil via Paraguay. Uruguay is also serving as a center to send infringing products into Brazil via Rio Grande Do Sul/Santa Catarina. Enforcement by customs authorities continues to be inadequate and weak; in fact, no *ex officio* measures were conducted last year, according to the recording industry. There has been some positive change in the attitude of some police officers and judges, who are becoming convinced of the importance and the need to enforce copyrights. Estimated trade losses and levels of music and recording piracy in Uruguay were \$4.0 million with a 50% piracy level in 2001. The legitimate music market in Uruguay decreased by 33 percent during 2001.

The Interactive Digital Software Association (IDSA) reports that the pirated entertainment software (including videogame CD-ROMs and cartridges, personal computer CD-ROMs and multimedia products) is readily available in Uruguay. Estimated piracy levels and losses are not presently available for 2001.

The book publishing industry reports no improvement in reducing levels of book piracy in Uruguay over the past year. Photocopying remains the main source of piracy, especially within institutions of higher learning. Estimated 2001 trade losses due to book piracy in Uruguay are \$2 million, the same as the prior year.

COPYRIGHT ENFORCEMENT IN URUGUAY

Criminal copyright enforcement in Uruguay remains ineffective and does not deter piracy.

Considering that the Uruguayan copyright legal framework is antiquated, it is somewhat striking to report that there actually is some enforcement of the law in Uruguay. However, much more work needs to be accomplished by Uruguayan law enforcement authorities.

Criminal Code In Effect

Amendments to the Criminal Procedures Code make copyright infringement a “public” action by which the Uruguayan authorities can initiate actions. Although amendments in 1997 changed criminal copyright enforcement from a public to a private penal system, new amendments to the Criminal Procedures Code were passed on December 21, 1999 (Law 17.221), and published in the Official Gazette on January 13, 2000. The law amended the 1997 Criminal Procedures Code to provide the following: (a) Article 91 of the Criminal Procedures Code now establishes a “public” penal action for copyright infringements, and (b) Article 339.8 of the Criminal Procedures Code now permits the extradition of copyright infringers. These amendments are very positive. Having a “public” action is essential to involving the state in protecting copyrights. Allowing the extradition of copyright infringers is particularly important because piracy is a multinational enterprise, and not all pirates doing business in Uruguay are Uruguayan nationals. These 1999 amendments were accomplished before the February 1, 2000 deadline, the date on which the new Criminal Procedures Code entered into effect. The code now provides that litigation will proceed in a hearings format instead of using a code-pleading system; that the prosecutor will play a more active role, since his office will handle the complaint; that the Supreme Court of Justice will be required to appoint official experts to assist judges in inspecting suspected premises; and that raids will be conducted either by police or court officials.

While this law is finally in force on the books, there is a great need for improvement on the application of this criminal law to the state of piracy in Uruguay. Piracy continues to be widespread, and adversely affects the development of a market for legitimate copyrighted materials. BSA has witnessed an incremental improvement in prosecutorial activity during the second half of 2001 against street vendors of illegal software. This activity, however, is very recent and may be nothing more than a token effort to show that the government of Uruguay is doing something to fight piracy. To date, there have been no convictions in these cases. Increased attention by the police and prosecutors is needed to ensure that this is a long-term, positive change that provides an effective deterrent against piracy under current Uruguayan laws.

Police Actions Taken, But Few Prosecutions and Sentences

In 2001, BSA conducted 20 raids, which resulted in the initiation of 29 cases. In 2000, BSA filed eight criminal complaints against individuals who offered pirated software in the newspapers at a discount. Three of these cases were summarily dismissed by the Court for criminal policy reasons. The Court never explained what the phrase “criminal policy reasons” meant. The dismissals and the lack of explanation for them clearly demonstrate a systemic failure to provide “adequate protection” under GSP, and are also a violation of TRIPS Article 41.3, which

requires member nations to issue “[d]ecisions on the merits of a case [that are] reasoned.” The rest of these cases have been pending since their filing in 2000 without any progress in the investigations. During 2001, BSA filed eight criminal complaints against resellers of illegal software. Four of these cases were summarily dismissed by the Court for criminal policy reasons, and the remaining four have been pending. The Prosecutor’s Office has not even requested a search warrant. By the time the Prosecutor requests that the Court issue a warrant search, the evidence may have disappeared. One of these pending cases was filed over a year ago, in February 2001.

In another case, one BSA member company filed a criminal complaint against a reseller for hard disk loading (HDL) in June 1999. BSA submitted as evidence of the crime two PCs that were purchased from the reseller loaded with illegal software. Despite several requests from BSA, the Prosecutor’s Office took almost two years to request the Court to issue an order to analyze the hard disks offered as evidence of the crime. To BSA’s surprise, on September 10, 2001, the Court issued an order stating that there were no expert witnesses available in Uruguay to analyze whether there was any software loaded on the hard disks. BSA even submitted a list of expert witnesses that the Court appoints in civil copyright infringement cases, but the Court ruled that the expert witnesses were not sufficiently qualified for the job and dismissed the case.

In 2001, the recording industry exerted much effort to bring criminal cases. The police have not been formally instructed or motivated to take action against copyright pirates doing business in the main street markets (known as *ferias callejeras*) of Montevideo, Salto, Payson and Tacuarembó, where music, video, business software and entertainment software are easily found. However, in recent months, the Ministry of Interior, the *Fiscal de Corte*, some police departments (such as the Director of Police of Montevideo) and a few other units began cooperating individually to conduct the first anti-piracy cases. This does not mean, however, that an overall official attitudinal change has been made by the Uruguayan government. Cooperation from police departments depends more on personal attitudes than a central plan from the government to attack the problem.

The recording industry has invested heavily in building an anti-piracy program in Uruguay. It initiated 174 actions in 2001, and relative progress continued to be achieved during the year. This represents an initial positive trend, but is still far away from the overall official attitude that is needed to deter piracy. Prosecutors are still hesitant to apply the law because they have not received specific guidelines from their superiors regarding these cases. Out of the 174 cases conducted in 2001, 119 were against street vendors, 39 against small laboratories reproducing CD-Rs, 11 against warehouses and five cases were conducted with customs. Almost 102,000 pirate CDs and CD-Rs were seized, as well as 16,000 cassettes. The bad news is that the above-mentioned figures represent a drop in the ocean of piracy that can easily increase in Uruguay unless the government takes this problem seriously and commits to prosecute pirates, enforcing the laws and implementing stricter laws, which protect the investments of legitimate businesses.

MPA intends to restructure its anti-piracy program in Uruguay to focus primarily on retail piracy in Montevideo. In 2000, MPA discontinued its entire program because of the inability to effectively address piracy. The Uruguayan market continues to be important to the audiovisual industry.

CRIMINAL COPYRIGHT ACTIONS: URUGUAY (2001)

CRIMINAL ACTIONS	BUSINESS APPLICATIONS SOFTWARE	SOUND RECORDINGS
Number of Raids conducted	20	174
Number of cases commenced	29	102
Number of defendants convicted (including guilty pleas)	0	9
Acquittals and Dismissals	0	13
Number of Cases Pending	25	89
Total number of cases resulting in jail time		9
Suspended Prison Terms	N/A	0
Maximum 6 months	N/A	0
Over 6 months	N/A	0
Over 1 year	N/A	
Total Suspended Prison Terms	N/A	0
Prison Terms Served (not suspended)	N/A	9
Maximum 6 months	N/A	5
Over 6 months	N/A	4
Over 1 year	N/A	0
Total Prison Terms Served (not suspended)	N/A	9
Number of cases resulting in criminal fines	N/A	0
Up to \$1,000	N/A	N/A
\$1,000 to \$5,000	N/A	N/A
Over \$5,000	N/A	N/A
Total amount of fines levied	N/A	N/A

Customs measures are ineffective in controlling piracy at the border.

With its proximity to Paraguay and Brazil and the growing problem of pirated and counterfeited goods crossing its borders, Uruguay is faced with a major challenge to improve its border measures. In fact, recent customs seizures of presumably counterfeit goods in Paraguay have identified Uruguay as one of the countries through which these goods enter Latin America. Uruguay is also serving as a transshipment center to send infringing products into Brazil via Rio Grande Do Sul/Santa Catarina. Customs is a key element in the effort to control the contraband of legal and illegal product. Enforcement at the Uruguayan borders and in Zona Florida needs to be significantly improved, especially given the growth of optical media piracy in the Mercosur region.

Civil enforcement in Uruguay is ineffective because of substantial procedural delays, lack of clarity regarding unannounced civil *ex parte* searches, and high bond requirements for copyright litigation.

In addition to criminal cases, BSA also conducts civil actions. Due in part to Uruguay's outdated copyright law, business software producers have encountered great difficulties in protecting their products. During the last several years, the BSA has sought to conduct an aggressive anti-piracy program in Uruguay. Unfortunately, BSA has run into significant obstacles to software copyright enforcement and, if anything, the legal situation has deteriorated over the last few years.

Substantial Delays: The Uruguayan courts to continue incur substantial delays in copyright enforcement actions. In a typical case, after uncovering evidence of software piracy, the BSA requests the courts to schedule an inspection of the suspected pirate. The courts routinely delay granting judicial inspections of suspected copyright infringers' premises for three or more months. Such delays have recently resulted in ineffective action because the evidence of piracy may be moved, or may have disappeared altogether, between BSA's investigation of a suspected software pirate and the actual date of the raid. These delays put software producers at a disadvantage when they try to enforce their rights in Uruguayan courts. BSA filed 14 civil complains in 2000, of which it obtained search orders in only seven cases; the other seven still await action. During 2001, BSA filed 14 civil complaints and conducted 20 civil raids. Seven of these civil raids were cases filed back in 2000 and have been waiting for the Court to issue a civil warrant search for several months. Seven cases were settled during 2001, while the rest are pending.

Expert Witnesses Availability and Cost: BSA has also encountered some problems with expert witness availability. In criminal cases, for instance, the *Fiscalía* currently does not have expert witnesses available to analyze the evidence found in the raids. The *Fiscalía* usually relies on the expert witnesses proposed by the parties. The fees for the services of these expert witnesses are determined by the Court and usually are prohibitive. In civil cases, courts require an aggrieved party to deposit the fees for the expert witness in a bank account before issuing the order for a search warrant. It is not uncommon to wait from four to eight weeks until the expert witness submits his report to the court. In a civil case against an end user, a search warrant was executed on July 31, 2001; as of the date of this writing (mid-February 2002), the expert witness has not submitted his report to the Court, although he has already collected the money that BSA paid for his services. Such a cumbersome and costly procedure runs afoul of Uruguay's TRIPS obligations.

Expensive Bond Requirements: Onerous bond requirements – ranging from \$50,000 to \$100,000 per case – were imposed in the last half of 1998 and early 1999 in several separate legal actions brought by member companies of the BSA against Montevideo companies suspected of engaging in software piracy. Such onerous bond requirements are “unnecessarily complicated or costly,” in contravention of Uruguay's obligations under TRIPS Articles 41 and 50.3. These bonds impose substantial obstacles to the effective enforcement of intellectual property rights by creating an expensive barrier for software producers who are trying to enforce their rights in Uruguayan courts. Although in practice some courts have recently diminished their bond requirements, it is still within the judge's discretion as to whether the court will require bonds before a BSA raid. High bonds continue to pose a serious obstacle to the BSA's enforcement campaign in Uruguay.

Evidentiary Burdens: Other obstacles are also routinely encountered. In a case filed in May 1998, BSA raided an academic institution that was suspected of using illegal software. After the search order was executed and several unlicensed products of BSA members were found, BSA and its members filed a civil complaint with the Court. During trial, defendant's counsel requested plaintiffs to demonstrate that they were in fact the copyright holders of the unlicensed software found during the raid. BSA and its members objected, but the Court agreed with the defendant and ordered the plaintiffs to produce evidence that they owned the copyright in the relevant software programs. Under Uruguayan law, an author's notice of authorship is sufficient evidence to be regarded as such, and the burden is on the defendant to challenge such a presumption. In compliance with the court's order, the software publishers submitted the requested evidence. BSA is still waiting for a resolution of this case. The court's imposition of

onerous and “unnecessarily complicated” evidentiary requirements illustrates the existing defects in the Uruguayan legal system. BSA faced a similar situation in a case filed in May 2001.

CIVIL COPYRIGHT ENFORCEMENT ACTIONS: URUGUAY

CIVIL ACTIONS	BUSINESS APPLICATIONS SOFTWARE 2000	BUSINESS APPLICATIONS SOFTWARE 2001
Number of civil raids conducted	12	20
Post -Search Action	N/A	N/A
Cases Pending	0	2
Cases Dropped	2	4
Cases Settled or Adjudicated	6	7
Value of loss as determined by Rightholder (\$USD)	75,000	70,000
Settlement/Judgment Amount (\$USD)	33,340	45,632