

# INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE

## 2006 SPECIAL 301 REPORT

### PAKISTAN

#### EXECUTIVE SUMMARY

**Special 301 Recommendation:** IIPA recommends that Pakistan be moved from the Priority Watch List to the Watch List, with an out-of-cycle review to evaluate whether Pakistan continues to make progress in tackling book piracy and reducing pirate optical disc production. IIPA is particularly concerned with Pakistan's immediate action to significantly curtail book piracy. IIPA also urges USTR to evaluate whether the optical disc piracy raids and arrests have significantly reduced optical disc pirate production, and have led to criminal prosecutions with deterrent sentences imposed against those responsible for pirate optical disc production, including plant owners.

#### **Priority Actions Requested in 2006:**

- **Significantly Reduce Book Piracy:** Pakistan is one of the world's worst markets for books, as piracy of published materials is rampant. Large-scale photocopy piracy and higher quality offset print piracy have completely decimated the market for most legitimate publishers. The Federal Intelligence Agency (FIA) must devote resources and manpower to raid pirate printers and warehouses where pirated books are stored, and pirate retailers, especially those in the Karachi and Lahore Urdu Bazaars. The Ministry of Education must ensure that all books being used in educational institutions are legitimate copies, and that pirate photocopying will no longer be tolerated.
- **Fix Royalty-Free Book Compulsory License Which Violates TRIPS:** The Government of Pakistan amended its copyright ordinance in 2000 to include Section 36(3) that allows a royalty-free compulsory license of books. This amendment was passed without any opportunity for publishers to comment. This provision threatens to further diminish a market already almost completely overrun by piracy. This royalty-free compulsory license violates the Berne Convention and TRIPS and the Government of Pakistan must repeal it.
- **Prosecute Optical Disc Plant Owners:** The Pakistani Government took unprecedented actions in 2005, shutting down several factories engaged in piracy of optical discs. Now, the persons responsible for massive pirate OD production in Pakistan (including those who were arrested during the 2005 raids) should be expeditiously prosecuted and given deterrent sentences consistent with the huge scale of their infringing activity. The remaining plants must continue to operate under close Government supervision and regular inspections, and the plants previously found to be engaged in piracy, and/or recidivist plants, must remain closed and equipment dismantled and/or destroyed.
- **Take Action Against "Burning" Operations and Seize More Pirate Imports:** With the resounding success of the actions by IPO and FIA against pirate plant production of optical discs, increased vigilance will be needed in 2006 through raids, seizures, and monitoring at the border to ensure that the void is not filled by "burning" operations and/or pirate imports from Southeast Asia. FIA should take swift action against any "burning" operations, including raids, seizures, and, where warranted, arrests. A directive should be issued ordering Customs officials to be increasingly active in intercepting pirate imports at the borders.
- **Take Actions Against Business Software Piracy and Other Forms of Piracy:** The rate of unauthorized use of business software in Pakistan is extremely high. Inspections should

be run against those suspected to be engaged in this form of piracy, and prosecutions brought. In addition, while many prosecutions were brought against those engaging in hard-disk loading of pirate software onto computers, the slow pace of court processes and lack of deterrent sentences has meant those engaging in this activity will not be deterred. Steps should be taken to reverse this trend.

- **Amend Copyright Law to Enhance Enforcement, Create Deterrence:** The laws in Pakistan remain a weak link, since there are no mandatory minimum sentences; as a result, judges impose only nominal fines which have no deterrent value, and actually embolden pirates. It is essential to strengthen laws by introducing minimum sentences, including mandatory fines and jail sentences.
- **Pass Optical Disc Regulation:** As promptly as possible the Pakistani Government should pass and implement an effective optical disc law to enable control over optical disc production, including licensing, inspections (including by representative organizations), closure of plants in violation, monitoring and control on imports of production equipment and raw materials (including optical grade polycarbonate), requirements to use unique source identifiers (SID mastering-LBR and mould codes) to track location of production, etc.
- **Take Action Against Cable and Satellite Piracy:** There are around 50,000 satellite dishes receiving unauthorized programming in Pakistan, and over 10% of Pakistani households have unauthorized cable TV connections. It is vital that the Pakistani Government take action to address this problem.

For more details on Pakistan's Special 301 history, see IIPA's "History" Appendix to this filing at <http://www.iipa.com/pdf/2006SPEC301HISTORICALSUMMARY.pdf>. Please also see previous years' reports at <http://www.iipa.com/countryreports.html>.

<b>PAKISTAN</b> <b>Estimated Trade Losses Due to Copyright Piracy</b> <i>(in millions of U.S. dollars)</i> <b>and Levels of Piracy: 2001-2005<sup>1</sup></b>										
INDUSTRY	2005		2004		2003		2002		2001	
	Loss	Level								
Records & Music	25.0	100%	70.0	100%	70.0	100%	60.0	83%	60.0	90%
Books	55.0	NA	52.0	NA	44.0	NA	44.0	NA	NA	NA
Business Software <sup>2</sup>	15.7	83%	14.0	82%	9.0	83%	11.2	80%	9.2	83%
Entertainment Software <sup>3</sup>	NA	NA								
Motion Pictures <sup>4</sup>	NA	NA	12.0	NA	12.0	95%	12.0	95%	11.0	NA
<b>TOTALS</b>	<b>95.7+</b>		<b>148.0</b>		<b>135.0</b>		<b>127.2</b>		<b>124.2</b>	

<sup>1</sup> The methodology used by IIPA member associations to calculate these estimated piracy levels and losses is described in IIPA's 2006 Special 301 submission, at [www.iipa.com/pdf/2006spec301methodology.pdf](http://www.iipa.com/pdf/2006spec301methodology.pdf).

<sup>2</sup> BSA's 2005 statistics are preliminary. They represent the U.S. publishers' share of software piracy losses in Pakistan, and follow the methodology compiled in the Second Annual BSA/IDC Global Software Piracy Study (May 2005), available at <http://www.bsa.org/globalstudy/>. These figures cover, in addition to business applications software, computer applications such as operating systems, consumer applications such as PC gaming, personal finance, and reference software. BSA's 2004 piracy statistics were preliminary at the time of IIPA's February 11, 2005 Special 301 filing; the 2004 data has been revised and is reflected above.

<sup>3</sup> ESA's reported dollar figures reflect the value of pirate product present in the marketplace as distinguished from definitive industry "losses." The methodology used by the ESA is further described in Appendix B of this report.

<sup>4</sup> MPAA's trade losses and piracy levels for 2005 are available for a limited number of countries and are based on a methodology that analyzes physical or "hard" goods and Internet piracy. For a description of the new methodology, please see Appendix B of this report. As loss numbers and piracy levels become available for additional countries at a later time, they will be posted on the IIPA website, <http://www.iipa.com>.

## **PIRACY AND ENFORCEMENT UPDATE IN PAKISTAN**

**Book Piracy Remains Serious:** Pakistan is perhaps the worst book piracy haven in the world. Large-scale photocopy piracy and offset print piracy make the market virtually untenable for legitimate publishers. All types of books are pirated — practically anything that is popular and can sell more than a few hundred copies. English language novels and other trade books are popular, and as a result, U.S. publishers of mainstream commercial fiction and non-fiction are struggling. While the quality of the pirated copies is often poor across the board, some pirates are now able to produce better quality copies that are difficult to differentiate from the legitimate versions.<sup>5</sup> To this end, publishers are forced to employ measures such as the use of holograms to distinguish legitimate product from counterfeits.

The academic market in Pakistan has been completely overrun by piracy. Elementary and high school courses taught in English routinely feature pirate versions of books.<sup>6</sup> Piracy at the university levels is even worse, with rates soaring over 90%. Often, one student will purchase the required reading for a class and then organize the photocopying for the entire class, or lend the book to other students for them to copy any material they require. Some medical titles have been pirated, usually in one color, so they have misleading and inaccurate illustrations. Lack of government motivation to reduce book piracy levels results in an almost total lack of criminal prosecutions, even in cases where pirates are arrested. Thus, there is little deterrence in the market. Piracy levels can range from 40% to 80% of the market, depending on the title, and well over 90% for the most popular titles used at universities.<sup>7</sup>

By contrast, publishers report a higher rate of legitimate sales of reference materials to libraries. This is likely attributable to the high cost of producing these materials and the relatively small market over which to spread production costs, making this market unattractive to pirates looking to turn a large profit. This may also be due to the Pakistani Government's "National Education Policy 1998-2010" which states in part, "School, college and university libraries shall be equipped with the latest reading materials/services." Contributing to this increase in business in Pakistan are the increased imports of Indian-printed "technical" and "religious" titles.<sup>8</sup> The problems inherent in a system generating demand from India include: 1) reason to suspect shipments from India are mixed, containing pirate books, Indian-only reprints, and copies that are legitimate for distribution in Pakistan; and 2) general hostility among many to having India supply Pakistan with books on cultural/social/political grounds. Nonetheless, it may be that in the short term providing authorized texts from India is a way for legitimate right holders to gain a toehold in a previously impenetrable market.

A longer term solution to opening up the market in Pakistan is to deal effectively with the Urdu Bazaars. Recently, publishers have engaged in trying to clean up the Urdu Bazaar in Karachi, which features 350 booksellers and wholesalers (there are a further 700 in a second bazaar in Lahore). The bazaars are the main source of pirated books for Pakistan and have remained relatively untouched by raid action over the past few years. In September 2005, publishers began conducting a series of inspections on the Urdu Bazaar in Karachi. The initial

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<sup>5</sup> This is further evidenced by the fact that U.S. publishers receive routine requests for free supplementary materials from professors who have apparently adopted the book, in regions where there are absolutely no legitimate sales.

<sup>6</sup> It should be noted that the potential market for elementary and high school materials in English is immense, given the sheer numbers of middle-class families in Pakistan who are sending their children to English-medium schools.

<sup>7</sup> There are even "regional" pirate editions of highly successful school books, i.e., Karachi may have one or two pirated editions, and Lahore one or two of its own. Local school texts are pirated at the rate of at least 50%, while imported college texts lose far more than this.

<sup>8</sup> Included in "technical" titles are business, economics, and pure science books.

actions resulted in the seizure of around 3,000 infringing titles and four arrests by the police. The reaction by local pirate traders was strong, as they staged strikes (including hunger strikes) and demonstrations.<sup>9</sup> Eventually, a truce was reached by which several key publishers agreed to set up a collective account with the traders for legal books, and the bazaar sellers undertook neither to sell nor produce pirate books. By this approach, the publishers are attempting to provide the bazaar sellers in Karachi with increased means to turn their businesses legitimate, but the jury is still out as to whether or not that attempt will be successful. IIPA will be monitoring the evolving situation in Karachi closely and expects full cooperation with authorities in ensuring that legitimate practices prevail, either through negotiation, enforcement or both.

Enforcement updates have been further compromised by an increase in violence against copyright enforcers in 2005. In one incident, a copyright agent was kidnapped and tortured (by being hung upside down for several hours) before escaping. During his absence, his family was threatened. Certainly, this is indicative of a situation that is out of control.

**Royalty-Free Compulsory License for Books Is Out of Step with International Standards:** The Government of Pakistan amended its copyright ordinance in 2000 to include a provision (Section 36(3)) that allows a royalty-free compulsory license of books. Specifically, it provides, “[t]he Federal Government or the Board may, upon an application by any government or statutory institution, in the public interest, grant a licence to reprint, translate, adapt or publish any textbook on non-profit basis.” Included in “government or statutory institution” is the National Book Foundation (NBF), which is part of the Ministry of Education and has been previously accused of engaging in unauthorized reproduction. This amendment was passed without any opportunity for comment from publishers and threatens to further diminish a market already almost completely overrun by piracy. This royalty-free compulsory license violates the Berne Convention and TRIPS<sup>10</sup> and Pakistan must delete it.

**Successful Prosecutions Needed in Optical Disc Factory Piracy Cases:** The Pakistani Government (with great leadership of the Federal Intelligence Agency) took unprecedented actions in 2005, initially shutting down six pirate factories, raiding warehouses, and overseeing the closure of four other plants,<sup>11</sup> all of which had been engaged in brazen

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<sup>9</sup> The inspections and the following strikes/demonstrations attracted much media attention. Eventually, with the intervention of police and government officials, the strike was called off. At this stage, policing of the Bazaar is ongoing to ensure that the sellers remain legitimate; vigilance is required to avoid the practice of mixing of legitimate and illegitimate stock.

<sup>10</sup> The Government could limit the scope of the license by making clear that the conditions of the limiting language of Article 36(1) must be met in order for a license to be available under Article 36(3). Even then, however, the license cannot withstand scrutiny when compared with the Berne Convention’s three-part test. Pakistan has not availed itself of the Berne Appendix. Thus, Article 36(3), completely out of the bounds of Pakistan’s international obligations. It also may run afoul of private property rights enumerated in the Constitution of Pakistan and should be considered in light of this constitutional requirement as well.

<sup>11</sup> As of February 2006, it is believed that several plants remain open in Pakistan. Reportedly, the plants still in operation are considered as “locked down” as the owners have no right to shift or repair machinery without receiving permission from relevant courts. Plant raids commenced on May 5, 2005, and were conducted several times throughout 2005. In the initial raids, 150,000 pirate optical discs and over 6,000 pirate stampers were seized from six plants overall; nine individuals were arrested; and warrants were issued for the arrests of the owners of the six plants. Only one of the owners was subsequently arrested during the November raid and he is free on bail now. According to FIA and industry’s knowledge, three of the six plants initially raided – AMIN’s, Sadaf, and Worldwide Plastic – received court permission in August 2005 to produce licensed products, but one (AMIN’s) has since been shut down for subsequently being caught pirating. Incidentally, Sadaf has a second plant, which has not been raided and is still open and is producing Pakistani licensed products. On May 11, 2005, the Federal Investigation Agency (FIA) ran a follow-up raid on the offices and warehouse belonging to one of the factories previously raided and seized 5,500 pirate stampers. On August 31, 2005, FIA Karachi once again raided one of the plants and seized over 270,000 pirated CDs and DVDs from a warehouse belonging to the plant, and arrested two persons. 90% of the seized goods

production of pirate optical discs for several years. Now, the persons responsible for this massive pirate OD production, including those who were arrested during the 2005 raids, should be expeditiously prosecuted and given deterrent sentences consistent with the huge scale of their infringing activity. The plants initially and subsequently closed must also remain closed and their equipment dismantled or destroyed.

As discussed in greater detail below, the Government of Pakistan should now pass a comprehensive optical disc regulation to ensure that Pakistan is never again transformed in a pirate production haven. Regarding the ongoing investigations/cases, in May 2005, a total of nine persons were arrested during the initial raids and criminal cases were launched against the owners of the six plants initially raided. In December 2005, in a positive development for these cases, the Director General of FIA Islamabad transferred the cases to the Special Investigation Group (SIG) Islamabad, which will directly report to the Director General of FIA.

#### **Pirate Production Shifts to “Burning” on Recordable Discs; Imports Also Noted:**

As a result of the resoundingly successful enforcement actions in Pakistan in 2005, pirate optical disc factory production has virtually ceased.<sup>12</sup> Over the last half year of 2005, the importation of polycarbonate (used to make optical discs) declined by about 95% compared with the same period in 2004. Factory produced discs are now being replaced, but at nowhere near the same levels, by “burning” of content onto recordable discs. As a result, domestic availability of product in the open markets of Pakistan has also been reduced significantly, and the export problem noted in previous reports has virtually vanished. Small quantities of unauthorized factory DVDs are available.<sup>13</sup> However, it appears these are imported from Southeast Asia, possibly Indonesia or Malaysia. Recent Customs seizures would appear to back this assertion up.<sup>14</sup>

**Cable and Satellite Piracy:** Piracy of cable and satellite broadcasting signals is out of control in Pakistan, with cable companies estimated to transmit without authorization 94% to 97% of the programming they provide to end users. In 2005, the Government took positive steps with the establishment of the Intellectual Property Office and the increased attention paid

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from that raid were DVDs of U.S. motion pictures. A printing press (also owned by the plant) was raided, resulting in seizure of printing plates, negatives, computers and some pirate DVDs. On November 11, 2005, one of the manufacturing plants previously raided was again raided by the FIA and its owner was arrested when it was discovered that he had allowed his factory to continue manufacturing infringing optical discs. In the November raids, a total of 225,000 pirate discs were seized – from the plant (155,000) and retail outlets (70,000) – tied to this owner's plant. Over 80% of the titles in that raid were Indian movies. The owner was refused bail by the session court on this occasion.

<sup>12</sup> In 2004, the Pakistani Government's Central Board of Revenue (CBR) implemented new directives for customs officers at the international airports stating that commercial exports of optical discs from Pakistan – particularly the export of CDs and DVDs with international repertoire, western movies and western software, by air freight companies or as hand baggage – were prohibited. The CBR directives required Pakistani Customs officers to inspect every export shipment and verify that the shipment contained Pakistani (regional) repertoire only. Since this change has taken effect, Pakistani Customs officers have made many seizures totaling more than several hundreds of thousands of optical discs at Karachi and Islamabad airports. After implementation of the directives, several customs officers at Karachi International were suspended because they did not act accordingly. Because of the intensifying anti-piracy activities by Customs at Karachi International and Islamabad airport in 2005, the exports of pirated optical discs by air-freight companies declined by more than 90% during 2005.

<sup>13</sup> As of late 2005, pirate film DVDs were sold for US\$2, while pirate film DVD-Rs were sold for US\$1.35.

<sup>14</sup> Customs was active in 2005. During the period from January to December 2005, Customs at Karachi Airport seized 126,780 pirated optical discs; Customs at Islamabad Airport seized 4,290 pirated optical discs. However, Customs at Lahore International Airport reported no seizures of pirated optical discs. In one concentrated period, Customs Karachi made several seizures of pirated optical discs from “incoming” passengers, which apparently were imported from Southeast Asia, possibly produced in Indonesia or Malaysia. During that window, Customs Karachi seized over 40,000 pirated optical discs from 20 passengers.

to the problem by the broadcast regulator. Nevertheless, piracy remains pervasive in the absence of sustained enforcement. The illegal cable piracy operations are serviced by “lead *walas*” who obtain cable feeds from a cable operator with hardware facility (head end). Unfortunately, to date, IIPA is unaware of any actions taken against these pirate cable operations. Similar action to that taken against the optical disc plants in 2005 should be taken in the case of cable piracy in Pakistan in 2006.

**Formation of IPO and FIA Involvement Bring Greater Enforcement Coordination and Results:** The Intellectual Property Organization of Pakistan was formed in April 2005 under the personal directive of Prime Minister Shaukat Aziz, and was formalized through the promulgation of the “Ordinance to Provide for the Establishment of the Intellectual Property Organization of Pakistan” in August 2005 (effective December 7, 2005).<sup>15</sup> IPO reports directly to the Prime Minister via a 15-member Policy Board, drawn from the public and private sector. On April 16 there was also an official announcement that the Federal Intelligence Agency (FIA) would be the lead agency for IPR enforcement; raids on optical disc production facilities commenced soon thereafter. IIPA commends the Pakistani Government for the establishment of the IPO and entrusting the FIA with copyright enforcement matters. The results speak for themselves in the area of eradicating optical disc piracy in 2005, and it can only be hoped that FIA’s efforts to combat book piracy and other forms of copyright piracy will be as successful in 2006. It would also be very advantageous for Intellectual Property Rights Task Forces to be established within FIA and provided at all provincial levels. Reportedly, the Government has appointed a dedicated IPR police officer in Karachi. IIPA hopes that this officer can increase his coordination with industry in the months to come, and that such dedicated units will be expanded.

**Business Software End-User Piracy Is Endemic:** Despite significant public awareness and enforcement drives by the business software industry, the piracy situation for that sector remained serious in 2005. Pakistan holds the dubious distinction of having one of the highest end-user piracy levels in the world. There were 28 criminal cases lodged against hard disk loaders (computer resellers that fill computers with illegal software), arising from complaints by the Business Software Alliance, but as of January 2006, all the cases were still pending.

**Courts Still Do Not Effectively Deter Piracy:** Pakistani courts still do not effectively mete out deterrent results in piracy cases, and cases are marred by procedural hurdles (such as excessive documentary requirements) and delays. The maximum fine a pirate has received from prosecutions for publishing piracy was Rs15,000 (US\$251) in 2004, hardly a deterrent, and most cases involving publishers resulted in far lower fines.<sup>16</sup> IIPA members report that judges routinely view piracy as a misdemeanor, thus punishments are often token fines and hardly deterrent. The Copyright Law should be amended to provide minimum jail sentences/fines for crimes involving copyright infringement. Pakistani court processes are also marred by procedural hurdles.

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<sup>15</sup> An Ordinance to Provide for the Establishment of the Intellectual Property Organization of Pakistan, Ordinance No. XXI of 2005, Registered No. M-302 / I.-7646 (December 4, 2005). The Ordinance formally institutes the Intellectual Property Organization of Pakistan (IPO) as a federally mandated autonomous intellectual property rights organization which will report to the Federal Cabinet. The Ordinance also provides an enforcement mechanism through the FIA to investigate and take action against any IPR (copyright, trademark, patent) offense anywhere in the country. The Ordinance is intended to be a one-stop shop infrastructure to address all IPR issues in Pakistan including enforcement, litigation, awareness, and new laws. Two meetings have been held so far of the Policy Board of the IPO; so far, the meetings were focused on staff recruitment, salaries, setting up IPO offices in Karachi and Lahore, etc.

<sup>16</sup> Cases from 2005 are still languishing in the courts, marred by delays, so IIPA does not yet have 2005 statistics for book publishers.

## **TRAINING, TECHNICAL ASSISTANCE, PUBLIC AWARENESS**

In 2005, the copyright industries participated in various trainings, roundtables, and seminars with judges, police, government officials, private lawyers, and right holders. For example, the Business Software Alliance participated in a judicial IPR roundtable called “Piracy hurting Pakistan” on June 28, 2005 in Lahore, Pakistan which involved judges, policy makers, and attorneys. These included a motion picture industry visit to conduct follow-up training for Pakistani Customs (continuing from training provided in 2004), and a record industry “product identification” training for Islamabad Customs and Customs Intelligence took place on January 10, 2005. In 2006, the Business Software Alliance is planning a public awareness campaign in Pakistan through television spots and a media campaign, including broadcast on all major TV channels. The Business Software Alliance also plans to hold two judicial IPR roundtables in 2006 in Islamabad and Karachi. These trainings follow on significant technical assistance provided in 2004 including provision of computers, printers and scanners for Pakistani Customs at the Karachi, Lahore and Islamabad airports and the Karachi port.

## **COPYRIGHT AND RELATED LAWS**

**Penalties in Copyright Law Fail to Deter Piracy:** Copyright protection in Pakistan is generally provided under the Copyright Ordinance, 1962 (as last amended in 2000), which provides generally strong administrative tools to fight piracy, including, for example, provisions enabling the Registrar to monitor exports, with the ability to inspect and seize pirated goods leaving Pakistan.<sup>17</sup> Remaining problems in the ordinance include criminal fines that remain far too low to deter piracy.<sup>18</sup> Criminal penalties must at least be amended to include minimum fines and prison terms. In addition to the TRIPS-incompatible royalty-free compulsory license discussed above, there are other overly broad exceptions to protection, and unclear full retroactive protection for works and sound recordings as required by TRIPS.

**Compulsory License Violates Berne and TRIPS:** As mentioned above, Section 36(3) of the Copyright Ordinance, as amended in 2000, runs afoul of international standards by implementing an overly broad and damaging compulsory license provision.

**Pakistan Should Implement the WCT and WPPT:** Pakistan should further amend its law to fully implement the WIPO Internet Treaties, the WCT and WPPT, which establish the framework for the protection of copyrighted works in the digital environment, and Pakistan should quickly join these treaties. Pakistan should adopt the 1971 (Paris) text of the Berne Convention and should join the Geneva (Phonograms) Convention.

**Motion Picture Ordinance Should Cover Home Video Products:** IIPA also encourages Pakistan to amend its Motion Picture Ordinance to more clearly cover home video products, and understands that the Ministry of Culture has announced plans to do this. The motion picture industry has reviewed and provided comments on drafts of the proposed amendments, which would require licensing of video shops and would include minimum penalties for infringements, all of which would be helpful in the fight against this form of piracy.

**Pakistan Should Pass and Implement an Effective Law to Curtail Pirate Optical Disc Production:** To ensure that Pakistan’s effective actions in 2005 against rampant optical

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<sup>17</sup> Please see the 2003 Special 301 report on Pakistan, at <http://www.iipa.com/rbc/2003/2003SPEC301PAKISTAN.pdf>, for a full discussion of the Pakistan Copyright Act.

<sup>18</sup> Some industries have suggested that the minimum fine must be increased to PKR500,000 (US\$8,565).

disc pirate production do not return, the Pakistani government should introduce effective optical disc plant control measures, giving the government and right holders the ability to track the movement of optical media production equipment and parts, as well as the raw materials (including optical grade polycarbonate), and compelling plants to use unique source identifiers (SID mastering LBR and mould codes) to track location of production, in order to successfully halt the production of pirate optical discs.<sup>19</sup> Such regulations will give Pakistani authorities a needed tool to conduct spot inspections and raids on plants, seize infringing copies of product and machinery, and impose administrative and criminal penalties to deter the organized manufacturing and distribution of pirate product. In December 2005, PIPRO was once again provided with model optical disc legislation, and it is hoped that a draft will emerge and proceed to passage in 2006.

**Generalized System of Preferences:** On January 24, 2005, IIPA endorsed termination of the Generalized System of Preferences (GSP) piracy investigation in Pakistan, and called on the Pakistani Government to remain vigilant against book piracy. IIPA's GSP petition had been accepted in June 2004 by the United States Trade Representative to evaluate whether Pakistan remained eligible to retain its GSP trade benefits due to poor copyright protection and enforcement. IIPA recognized the progress made in reducing the impact of optical disc piracy in Pakistan, while noting that outstanding issues such as book piracy continue to merit attention. IIPA noted,

Vigilance will be needed, however, to ensure that the problem of massive optical disc piracy does not return to Pakistan. The plants must remain closed and the Government should implement mechanisms to ensure that optical disc piracy remains in check. In addition, other forms of piracy, especially book piracy, remain serious problems in Pakistan. The Pakistani Government must continue to address these outstanding issues, and the U.S. Government should continue to press to resolve these issues.

As a result of termination, Pakistan continues to enjoy duty-free status for imports of certain products into the United States. During the first 11 months of 2005, \$87.7 million of products from Pakistan were imported into the U.S. duty-free, representing 2.9% of Pakistan's total imports into the U.S.<sup>20</sup>

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<sup>19</sup> The global copyright community has agreed on the key elements of an effective optical disc law; please see the 2003 Special 301 report on Pakistan, at <http://www.iipa.com/rbc/2003/2003SPEC301PAKISTAN.pdf>, for a full discussion of what is needed in Pakistan's optical disc regulation.

<sup>20</sup> During 2004, the United States imported \$94.2 million worth of products into the United States duty-free, or 3.3% of its total imports to the U.S.