

# INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE

## 2007 SPECIAL 301 REPORT

### DISPUTE SETTLEMENT

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 U.S. government also should not hesitate to invoke the dispute settlement procedures of the respective FTAs when FTA partners fail to live up to the obligations they have 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 several of our partners – Bahrain, Jordan, Morocco, and Singapore – which we believe could be the basis for dispute settlement proceedings unless they can be promptly and satisfactorily resolved on an informal basis.

## JORDAN

The United States-Jordan Free Trade Agreement went into force on December 17, 2001,<sup>1</sup> 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 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;<sup>2</sup> national treatment [Article 4(3)-(5)]; and the substantive obligations in Article 4(10)-(16) of the FTA.<sup>3</sup>
- December 17, 2004: The enforcement obligations in Article 4(24)-(28) of the FTA.

In the 2005 Special 301 cycle, IIPA urged 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 the 2007 review, we reiterate the following issues as ripe for dispute settlement if the government of Jordan does not take immediate steps to remedy them.

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<sup>1</sup> 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).

<sup>2</sup> 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.

<sup>3</sup> 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.

- **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).<sup>4</sup> The U.S. Government should seek an amendment to provide for express language that is FTA-compatible. The Jordanian Government has commented that “all forms of ‘circulation’ of circumvention devices are covered because Article 55 of the Law prohibits *inter alia* the activities of distribution,” noting that “such term is broad enough to encompass all forms of trafficking, whether or not they are done with the purpose of financial gain or profit.” After further review of the two translations IIPA possesses, it still appears that “to sell or rent” or “in connection with the sale and rental of” modifies the activities prohibited. Such an added proof requirement (a commercial motive requirement) cannot meet the FTA requirement, which would prohibit trafficking even without a commercial motive. Thus, Article 55 still violates the FTA and references to “for sale or rent” should be deleted.
  - 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.<sup>5</sup> Article 55 should be amended to expressly cover component parts (and code). One of the translations IIPA has includes express coverage of “any part or machine or service or any mean,” however, IIPA considers this issue unresolved since the government of Jordan has indicated that ‘Article 55 does not expressly cover [part] of any device, service or process, but it should be pointed out that the words device, process or service include also, under normal rules of interpretation, any parts thereof.’ This recognition that “parts” are not covered in Article 55, reinforces our contention that the current law may not be in compliance with the FTA, and that this should be resolved through a simple amendment, rather than leaving this point of implementation to “rules of interpretation” which we are not assured the courts in Jordan will follow.
  - According to 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.<sup>6</sup> The

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<sup>4</sup> 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.

<sup>5</sup> 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).

<sup>6</sup> 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

language “performed or marketed” and “limited commercially significant purpose” should be expressly added. The government of Jordan has indicated that, in their view, Article 55 prohibits the manufacture, importation and circulation of any technology, device, or service that is designed (and not primarily designed) to circumvent, deactivate or impair TPMs, and 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.’ Notwithstanding the Jordan government’s representations that, under proper or normal “rules of interpretation,” their TPM provisions meet the requirements of the FTA, in fact (and in practice) they may not. For example, the test of whether a device etc. is “marketed” for engaging in circumvention is missing. The objective test of whether the device etc. “has only a limited commercially significant purpose or use other than enabling or facilitating” circumvention is also missing. These are significant omissions and believe we should not rely on courts in Jordan to read them into the statutory provision (nor do we think the Executive Branch is in a position to make the assertion they make). We think the law must be amended.

- **Exceptions and Limitations [FTA Article 4(16)]:** Exceptions and limitations, initially left untouched in the Jordan Copyright Law prior to the 2004 amendments, were narrowed somewhat in those amendments. Nonetheless, a few exceptions may still 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,<sup>7</sup> 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.”<sup>8</sup> Specific 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]. As noted, Article 4 of the 2004 “Amendments to the Copyright Law” narrowed the scope of Article 17. However, because this Article permits the “use” of an entire work (and we assume this means performance, display and making reproductions), even if only for the purpose of illustration (or, as amended, as an “illustrative method/tool”), we think the exception remains too broad and, as literally written, does not pass muster under the FTA. The addition of the phrase “not contradict with normal exploitation of the work” is helpful, but may not exclude many uses, e.g., the possibility of “anthologizing” an entire work or copying an entire “audio recording” or “audio-video recording,” since it is not clear that a Jordanian court would rule that such uses fall under that limitation, although they would certainly “unreasonably prejudice the legitimate interests of the right holder.” To ensure that the overbreadth is eliminated, we propose at least some changes to Article 17(c), e.g., by adding “portion of a” next to “work,” deleting the word “cultural” and adding “non-profit” before “vocational training.”

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the Government of Jordan to rely on so-called “proper rules of interpretation” to satisfy the FTA on such important points.

<sup>7</sup> 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.

<sup>8</sup> 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 should not condone the photocopying of entire books.

- **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, as amended in 2004, refers to “a fair compensation,” and the phrase “and the value of original work in the market” after the phrase “or artistic value [of the work]” was added. We presume that the “value of the original work” refers to the “retail price of the legitimate product.” However, Article 49, even as amended, still would violate the FTA. Article 49 as amended (and in part) would explicitly state, “[i]n deciding the compensation, the cultural standing of the author, the literary, scientific or artistic value of the work and the value of original work in the market, and the extent the infringer benefited by exploiting the work shall be taken into consideration.” This key provision suffers from two deficiencies. First, the drafters failed to delete two of the other criteria, “*the cultural standing of the author*” and “*the literary, scientific or artistic value*” which therefore are to “be taken into consideration” when assessing compensatory damages. These criteria lead to some troubling possibilities, e.g., that reference books, or computer programs written by unknown authors, might be valued lower than, say, literary novels or works by a famous author. Carried out to its logical conclusion, the implementation of these standards would almost certainly result in inequities and non-compensatory damages in many cases. Moreover, the FTA provision does not allow for the “consideration” of these other criteria. Finally, the FTA requirement is clear: “[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.” The FTA criteria is mandatory, not one of several factors to be “taken into consideration.” And to the extent that the other factors are “taken into consideration” to lower damages or discriminate copyright materials based on the content, this would violate the FTA.
- **Deterrent Statutory Maximum Fines [FTA Article 4(25)]:** Statutory maximum fines were doubled, from JD3,000 (US\$4,235) to JD6,000 (US\$8,470). These maximum fines should be increased to at least JD10,000 (US\$14,130). 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.” IIPA understands that Jordan and U.S agreed that fines be raised to JD6,000 in a MOU (Article 3) signed and annexed to FTA on October 24, 2000. The MOU was negotiated several years ago, before the full extent of harm due to massive copying in digitized formats was fully understood. IIPA understands that Jordan now has one optical disc plant which may be capable of producing literally millions of discs per year. The fact that an owner of an optical disc plant, if illegally producing millions of copies of copyright content, would be subject to a mere “maximum” fine of US\$8,475 in Jordan demonstrates how absurdly low the maximum penalty is by today’s standards. It is probable that by today’s standards, JD6,000 does not meet TRIPS standards notwithstanding the MOU.

- **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." There is nothing in Jordan's copyright law that authorizes *ex officio* action, although IIPA understands that Article 36 of the Copyright Law provides in practice that Copyright Office (National Library) personnel may carry out actions without the need for a complaint by the right holder. The business software industry representative in Jordan indicates that such raids are occurring as to software. However, the GOJ has not been asked and has not, to our knowledge, addressed this point to date. Express assurances should be provided.
- **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. Jordan must amend its law to provide a presumption of subsistence of copyright that are consistent with the FTA.<sup>9</sup> Specifically, Article 4.27, cl. 2 requires Jordan to provide a presumption of subsistence of copyright: "It shall be presumed, in the absence of proof to the contrary, that the copyright or related right subsists in such subject matter. Such presumptions shall pertain in criminal cases until the defendant comes forward with credible evidence putting in issue the ownership or subsistence of the copyright or related right."
- **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:** Jordan enacted amendments to the Customs Law (No. 20 for the Year 1998) and Article 41, dealing with IP enforcement, appears on its face to meet the FTA requirement regarding the availability of *ex officio* action by Customs. Article 41 is silent regarding the requirements of Article 59 of TRIPS (as to remedies, e.g., regarding the GOJ authority to order the destruction or disposal of infringing goods). Availability of these remedies should be confirmed.

## GSP Program in Jordan

In addition to benefits Jordan receives under the FTA, Jordan continues limited participation in the Generalized System of Preferences (GSP) program, a U.S. trade program that offers preferential trade benefits to eligible beneficiary countries. One of the discretionary criteria of this program is that the country provides "adequate and effective protection of

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<sup>9</sup> Article 2 of the 2004 "Amendments to the Copyright Law 2004" amended Article 4 of the Copyright Law, satisfying Jordan's requirement to provide a presumption of ownership pursuant to Article 4.27, cl. 1 of the U.S.-Jordan FTA. Article 6 of the "Amendments to the Copyright Law" enacted a conforming amendment to delete Article 26 of the Copyright Law (since that Article was folded into the amended Article 4).

intellectual property rights.” In 2005, \$11.7 million worth of Jordan’s imports to the United States benefited from the GSP program, accounting for 0.9% of its total exports to the U.S. During the first 11 months of 2006, \$14.4 million worth of Jordanian goods (or 1.1% of Jordan’s total exports to the U.S. from January to November) entered the U.S. under the duty-free GSP code.