

WATCH LIST

BELARUS

Belarus will remain on the Watch List in 2007. The United States remains concerned about Belarus' delayed implementation of its intellectual property commitments under the U.S.-Belarus Trade Agreement. Belarus made no significant progress during 2006 to strengthen its IPR laws, reduce piracy levels, or increase IPR enforcement efforts. The Belarus copyright law needs to be amended to provide adequate protection for sound recordings and pre-existing works, as well as to implement the WIPO Internet Treaties, which Belarus joined in 1998. Belarus' law neither provides *ex officio* authority to allow police officials to initiate criminal copyright cases or for customs officials to seize illegal products at the border, nor provides for civil *ex parte* search procedures necessary to protect against end-user software piracy. The United States encourages Belarus to improve its IPR regime and to enforce its IPR laws more aggressively. In addition, the United States urges Belarus to fulfill its obligations under the U.S.-Belarus Trade Agreement and will continue to monitor Belarus' progress in strengthening its IPR regime, especially in the context of Belarus' bid for accession to the WTO.

BELIZE

Belize will be lowered from the Priority Watch List to the Watch List in 2007, due to improvements in IPR enforcement in Belize, including increased cooperation between rights holders and government entities. The United States notes, however, that piracy and counterfeiting still exist in Belize and further improvements are needed to strengthen IPR enforcement. The United States remains concerned about weak IPR enforcement in Belize's Corozal Commercial Free Trade Zone, through which infringing products are transshipped from Mexico to the United States and elsewhere. The United States continues to urge Belize to improve IPR enforcement by: revising necessary laws and regulations to facilitate inspections, seizures, criminal investigations, and destruction of infringing products; increasing resources devoted to border enforcement and the number of investigations of counterfeiting and piracy; implementing strong IPR enforcement actions in the Corozal Commercial Free Trade Zone; and ensuring that prosecutors bring criminal cases against counterfeiters and pirates and that courts issue deterrent sentences for IPR infringers.

BOLIVIA

Bolivia will remain on the Watch List in 2007. Piracy and counterfeiting remain problems in Bolivia, and there were no notable improvements to Bolivia's IPR regime during the past year. As a WTO member and signatory to the WIPO Internet Treaties, Bolivia should have increased its levels of IPR protection years ago. Bolivia has inadequate copyright laws, significant copyright piracy and trademark counterfeiting, and weak overall IPR enforcement. The United States encourages Bolivia to strengthen its copyright laws, ratify and implement the WIPO Internet Treaties, increase its IPR enforcement efforts, provide for civil *ex parte* searches, prevent unwarranted delays in civil enforcement, provide adequate civil and criminal remedies in IPR infringement cases, and strengthen border measures. The United States encourages Bolivia to improve

its IPR protection regime in 2007, as well as increase its IPR enforcement efforts to combat piracy and counterfeiting.

BRAZIL

Brazil will be lowered to the Watch List in 2007, following several years on the Priority Watch List. This decision recognizes Brazil's considerable progress in enhancing copyright enforcement. Brazil's National Anti-Piracy Council is increasingly recognized as a model of public-private collaboration in the area of IP enforcement. In addition, the Brazilian Government's national action plan to address piracy and IP crimes has produced continuing positive results, particularly through effective police actions. While piracy and counterfeiting still exist at high levels and criminal prosecutions often lag police actions, Brazil merits recognition for its vigorous efforts. The United States looks forward to a continued healthy dialogue with Brazil on IP issues, including through the U.S. – Brazil Bilateral Consultative Mechanism and the U.S. – Brazil Commercial Dialogue. The United States hopes that these discussions can focus on areas where progress has been less robust than in the copyright field. While Brazil has begun to strengthen capacity for processing patents and reducing a longstanding backlog of patent applications, concrete progress has not yet been seen. The fact that the role of Brazil's health regulatory agency in the patent approval process remains unclear is an important concern. The Brazilian Government has at times indicated consideration of the use of compulsory licensing on patented pharmaceutical products. The United States underscores the importance of Brazil engaging in open and transparent discussions with all relevant stakeholders in such cases, in the interest of reaching mutually satisfactory outcomes. The United States also encourages Brazil to strengthen protection against unfair commercial use for data generated to obtain marketing approval. The United States will conduct an Out-of-Cycle Review to evaluate the sustainability of the progress Brazil has achieved with respect to IPR enforcement, and to encourage additional progress in areas of outstanding concern.

CANADA

Canada is being retained on the Watch List in 2007. The United States commends Canada for issuing regulations correcting deficiencies in its system for protecting against unfair commercial use pharmaceutical data generated to obtain marketing approval. The United States notes our continuing concerns, however, with Canada's failure to ratify and implement the WIPO Internet Treaties and its failure to prohibit the unauthorized camcording of films in movie theaters. The United States also continues to urge Canada to improve its IPR enforcement system to enable authorities to take effective action against the trade in counterfeit and pirated products within Canada, as well as curb the amount of infringing products transshipped and transiting through Canada. Canada's weak border measures continue to be a serious concern for IP owners. The United States hopes that Canada will implement legislative changes to provide a stronger border enforcement system by giving its customs officers the authority to seize products suspected of being pirated or counterfeit without the need for a court order. Greater cooperation between Canadian Customs and the Royal Canadian Mounted Police would enhance IPR enforcement, as would the provision of additional resources and training to customs officers and domestic law enforcement personnel. The United States will

continue to monitor Canada's progress in providing an adequate and effective IPR protection regime that is consistent with its international obligations and its advanced level of economic development, including improved border enforcement, near term ratification and implementation of the WIPO Internet Treaties, and efforts to stop unauthorized camcording of films in movie theaters.

ECUADOR

Ecuador will remain on the Watch List in 2007. Despite cooperation between Ecuador's enforcement authorities and the U.S. business software industry, overall IPR enforcement remains problematic, resulting in high piracy levels for the U.S. copyright industries. Ecuador has not established the specialized IPR courts required by its 1998 IPR law. Concerns also remain over Ecuador's lack of effective protection against unfair commercial use for data generated to obtain marketing approval, as well as Ecuador's lack of an effective coordination system between its health and patent authorities to prevent the issuance of marketing approvals for patent-infringing pharmaceutical products. The U.S. pharmaceutical industry also reports concerns over a growing patent backlog in Ecuador. The United States urges Ecuador to strengthen its IPR regime and to enhance its IPR enforcement efforts, and will monitor Ecuador's efforts to address IPR concerns.

HUNGARY

Hungary will remain on the Watch List in 2007. Although Hungary has improved its IPR regime over the past several years, additional improvements are necessary. The United States commends Hungary for forming an Inter-Ministerial Task Force in 2006 to address IPR issues, comprising representatives from the Hungarian Government and the private sector. Copyright piracy in Hungary continues to grow, especially related to the Internet. Enforcement deficiencies include prosecutorial delays, judicial imposition of non-deterrent sentences, and weak border enforcement. The United States urges Hungary to provide an effective coordination system between its health and patent authorities to prevent the issuance of marketing approvals for patent-infringing pharmaceutical products. The United States will continue to work with the Hungarian Government to address these IPR concerns.

INDONESIA

Indonesia will remain on the Watch List in 2007. Indonesia was lowered from the Priority Watch List to the Watch List at the conclusion of an Out-of-Cycle Review in November 2006. The United States commends Indonesia for its continued attention to IPR enforcement, including steps taken to fight retail piracy and to implement its optical disc regulations to combat pirate production in optical disc factories. The United States notes that following the announcement of the OCR result, Indonesia established an Information Communication Technology National Team to address legalization of government software and passed customs legislation to provide *ex officio* authority. The National Task Force for IPR Violation Prevention, formed in 2006, has conducted meetings but has not yet taken specific actions to combat IPR violations. The United States urges Indonesia to continue to build on its momentum by enforcing its IPR laws effectively and in a deterrent manner against piracy and counterfeiting, including: raiding

pirate optical disc factories; conducting seizures of pirated goods and the machinery and materials used to make them; arresting and prosecuting IPR infringers; and ensuring that courts impose deterrent sentences for IPR crimes, including jail time, and that offenders actually serve such sentences. The U.S. copyright industries report that high piracy rates continue to exist in Indonesia. The U.S. pharmaceutical industries report that Indonesia does not provide effective protection against unfair commercial use for data generated to obtain marketing approval. The United States will continue to use the bilateral Trade and Investment Framework Agreement process to work with Indonesia to improve its IPR enforcement regime.

ITALY

Italy will remain on the Watch List for 2007. The United States notes that Italy increased cooperation between its government agencies and the private sector in 2006, as well as expressed renewed interest in working more closely with the United States to improve IPR protection and enforcement in Italy. However, the U.S. copyright industries report that Italy maintains one of the highest overall piracy rates in Western Europe. Italy made some progress in 2006 through increased raids, seizures, and arrests of IPR infringers, notably through enforcement actions by the Guardia di Finanza, but there continues to be inadequate judicial awareness of IPR infringement as a serious crime and therefore a lack of judicial imposition of deterrent fines and jail sentences for criminal copyright and trademark infringers. The United States continues to observe wide variations in the effectiveness of IPR enforcement activities within Italy, particularly in the courts. The U.S. copyright industries report continuing high rates of copyright piracy in Italy, especially on the Internet. The United States urges Italy to make IPR enforcement a top priority, commit high-level support for IPR enforcement, provide deterrent IPR enforcement through increased convictions and jail sentences, dedicate more resources for law enforcement and the judiciary, and implement a plan to combat Internet piracy. The United States will continue to work with Italy on these issues, with the goal of improving IPR protection and enforcement.

JAMAICA

Jamaica will remain on the Watch List in 2007. The United States remains concerned over Jamaica's continued delay in enacting the Patents and Designs Act, which is intended to implement Jamaica's obligations under the TRIPS Agreement and to comply with the United States-Jamaica bilateral Intellectual Property Agreement. The United States urges the Government of Jamaica to reform its patent law as soon as possible to comply fully with international standards for patent protection.

KUWAIT

Kuwait will remain on the Watch List in 2007. The United States notes that the Kuwaiti government continued to take enforcement actions against IPR piracy and counterfeiting in 2006, including sustained raids on an *ex officio* basis against retail outlets, street vendors, and pirate cable operators, with subsequent referrals of criminal cases for prosecutions. The U.S. copyright industries report that the newly-formed IPR committee, including the Ministries of Justice, Interior, Information, and Commerce and Industry, coordinated its first major raid in 2006. The United States hopes that Kuwait will

continue to improve its IPR regime by ensuring, for example, that Kuwait issues sentencing guidelines with strong penalties to encourage judicial authorities to impose deterrent penalties for IPR violations, and that it ratifies and implements the WIPO Internet Treaties. The United States is concerned that several key pieces of IPR legislation have been pending for many years, and hopes that Kuwait will expeditiously enact and implement this legislation in the near term. The United States will continue to work together with Kuwait on the passage of this IPR legislation. The United States hopes that the Kuwaiti Government, particularly those ministries with IPR enforcement responsibilities, will continue to build upon the progress made in 2006 to reduce the high levels of piracy in Kuwait. The United States will continue to address these issues under the United States-Kuwait Trade and Investment Framework Agreement.

LITHUANIA

Lithuania will remain on the Watch List in 2007. Lithuania increased its engagement with the United States during 2006 and made progress by closing down the notorious pirate website www.piratic.org. Despite these and other IPR improvements this past year, IPR issues remain, including the need for sustained IPR enforcement actions and improved border enforcement to curb the transshipment of pirated optical media through Lithuania. Because Lithuania serves as a transshipment point in the Baltic region for mostly Russian-produced optical media, the United States urges Lithuanian customs officials to make more frequent use of their *ex officio* authority to inspect and seize infringing goods at the border. The United States encourages Lithuania to continue its cooperative enforcement efforts with the private sector in the monitoring of optical disc production in Lithuania. The United States also encourages Lithuania to increase its efforts to coordinate IPR enforcement actions among relevant government ministries, police, and customs officials. The United States will continue to work with Lithuania to strengthen its IPR regime.

MALAYSIA

Malaysia will remain on the Watch List in 2007. Malaysia showed a solid commitment to strengthening IPR protection and enforcement this past year, but still has some serious deficiencies that need attention. In 2006, Malaysia continued to take IPR enforcement actions, including: conducting raids against pirate optical disc production facilities; seizing pirate goods and machinery used to produce pirate materials; arresting IPR infringers; and revoking or declining to renew licenses for pirate optical disc facilities, resulting in the reported movement or closure of at least eleven optical plants in 2006. In addition, Malaysia's enforcement actions against retail pirate outlets have reportedly driven much retail piracy underground in 2006. The United States appreciates these improvements, as well as the Malaysian Government's statement that it is in the process of establishing a specialized IP court to more effectively handle civil and criminal copyright cases. The United States urges Malaysia to continue its IPR enforcement efforts and to ratify and fully implement the WIPO Internet Treaties. The United States also encourages Malaysia to provide effective protection against unfair commercial use for data generated to obtain marketing approval, and create a coordination mechanism between the health authorities and the patent office to prevent the issuance of marketing approvals for patent-infringing pharmaceutical products. The United States will continue

to work with Malaysia to make progress on these pressing IPR issues through the ongoing U.S.-Malaysia Free Trade Agreement negotiations.

MEXICO

Mexico will remain on the Watch List in 2007. Mexico made some improvements in IPR enforcement during the past year, including increased raids, arrests, and seizures of counterfeit and pirated goods by federal enforcement authorities, as well as increased cooperation between federal enforcement authorities and the private sector. Despite these improvements, however, courts have not imposed convictions and deterrent sentences for pirates and counterfeiters. The United States encourages Mexico to follow its commendable raids with aggressive prosecutions and deterrent penalties, including prison terms, improve domestic cooperation efforts between federal, state, and local enforcement authorities, and increase IPR enforcement efforts by customs authorities. The United States urges Mexico to pass IPR legislation to give *ex officio* authority to law enforcement and customs authorities, criminalize camcording in theaters, and implement fully the WIPO Internet Treaties. The United States also encourages Mexico to make further efforts to provide adequate protection against unfair commercial use for data generated to obtain marketing approval, and improve coordination between its health and patent authorities to prevent the issuance of marketing approvals for patent-infringing pharmaceutical products. The U.S. pharmaceutical industry reports an increase in the number of marketing approvals issued in 2006 for patent-infringing pharmaceutical products. The United States also notes its concern over reports of increases in counterfeit pharmaceuticals in Mexico. The United States will continue to work with Mexico to address and resolve these IPR concerns in an effective manner.

PAKISTAN

Pakistan will remain on the Watch List in 2007 and the United States will conduct an Out-of-Cycle Review to monitor Pakistan's progress. In 2006, Pakistan was lowered from the Priority Watch List to the Watch List in recognition of Pakistan's progress on IPR enforcement. However, the United States remains concerned about the lack of effective protection against unfair commercial use for data generated to obtain marketing approval, as well as the failure to codify the existing system of coordination between its health and patent authorities to prevent the issuance of marketing approvals for patent-infringing pharmaceutical products. Due to a lack of progress this year in either of these areas, the United States will conduct an Out-of-Cycle Review. The United States and Pakistan will remain closely engaged on these issues during the coming year. The United States commends Pakistan for continuing to take enforcement actions against large-scale illegal optical disc production and retail sales of pirated and counterfeit products. The United States encourages Pakistan to ensure that its authorities aggressively prosecute IPR crimes and that its courts issue deterrent sentences for pirates and counterfeiters. The United States will continue to monitor closely the IPR situation during the OCR, and will work together with Pakistan to achieve further improvements in its IPR protection and enforcement regimes.

PHILIPPINES

The Philippines will remain on the Watch List in 2007. Throughout 2006, the Philippines continued to implement its Optical Media Act, including regulating the licensing of optical disc plants and coordinating raids against pirate optical disc production factories and retail establishments. The Philippines' Intellectual Property Office continued to coordinate among IPR enforcement agencies. While recognizing these continued IPR enforcement actions, the United States urges the Philippines to continue strengthening its enforcement regime against piracy and counterfeiting. Specifically, the United States encourages the Philippines to increase the numbers of arrests, prosecutions, and convictions of pirates arising out of the optical disc plant inspections; ensure that courts impose deterrent sentences against criminal IPR infringers (i.e. significant fines or prison sentences that are actually served); destroy pirated and counterfeit goods and the equipment used to make them; take steps to combat the problem of illegal textbook copying; further improve customs enforcement; take actions against television signal theft by pirate cable TV operators; and fully implement the WIPO Internet Treaties, including addressing Internet piracy. The United States urges the Philippines to maintain a patent regime that is fully consistent with its WTO obligations. The United States will continue to use the bilateral Trade and Investment Framework Agreement to engage the Government of Philippines on strengthening its IPR regime.

POLAND

Poland will remain on the Watch List in 2007. Despite improvements in cooperation between the Polish Government and the private sector on IPR issues, the United States is concerned that Poland did not make significant progress on IPR protection or enforcement efforts this past year. For example, Poland drastically cut its support for the National Police Intellectual Property and Computer Crime Unit, which had previously been responsible for an increase in the numbers of raids, seizures, and prosecutions against IPR infringers. Due to a reported shift in priorities, IPR enforcement efforts remained weak in Poland during the past year. The United States urges Poland to give increased attention to IPR protection and enforcement, including by strengthening border enforcement, eliminating delays in bringing prosecutions, addressing piracy on the Internet, and ensuring that courts impose deterrent sentences for IPR infringement. The United States also encourages Poland to strengthen enforcement legislation to combat piracy and counterfeiting. The United States is also concerned by Poland's inadequate protection against unfair commercial use for pharmaceutical data generated to obtain marketing approval. The United States encourages Poland to commit its resources and attention to increasing IPR protection and enforcement over the next year.

ROMANIA

Romania will remain on the Watch List in 2007. Romania improved coordination between law enforcement authorities and the private sector this past year. The U.S. copyright industries report that optical disc piracy decreased in Romania in 2006, but Internet piracy in the country increased, spurred by peer-to-peer networks and weak IPR enforcement. The United States encourages Romania to improve its IPR enforcement efforts, including ensuring that prosecutions are completed in a timely manner and that courts impose deterrent sentences against IPR infringers.

SAUDI ARABIA

Saudi Arabia will remain on the Watch List in 2007. The United States has been monitoring Saudi Arabia's progress on IPR issues since its accession to the WTO in 2005. While progress has been notable in several areas, including an increased number of IPR raids and a strengthening of Saudi Arabia's IPR legal regime through IPR amendments in connection with its WTO accession, Saudi Arabia should complete several IPR actions that it has initiated. For example, Saudi Arabia should increase transparency of its IPR enforcement regime, including in its judicial system; continue sustained raids and inspections to combat piracy and counterfeiting; ensure that courts impose deterrent sentences (including jail terms for serious offenses) against criminal IPR infringers; and improve border enforcement measures, among other IPR issues. Saudi Arabia has indicated that it continues to take steps to implement these measures and the United States urges Saudi Arabia to complete that process in the near term. The United States will work closely with Saudi Arabia to address the numerous outstanding IPR issues during the coming year.

TAIWAN

Taiwan will remain on the Watch List in 2007. The United States notes Taiwan's strong efforts and significant strides in improving its IPR regime this past year, including the passage of legislation to create a specialized IPR court, the creation of an IP section at the Special Prosecutor's Office, increased numbers of raids and seizures of pirated optical media, counterfeit pharmaceuticals, and counterfeit luxury goods, and increased arrests of IPR infringers. The United States urges Taiwan to continue its efforts to combat counterfeiting and Internet piracy and to pass pending IPR legislation, in particular legislation to provide liability for Internet service providers and to address copyright piracy on peer-to-peer networks. The United States also asks that Taiwan take steps to improve IPR enforcement, including: dedicate more resources (including training and additional personnel) to improve enforcement against piracy on the Internet, especially on TAnet, the Internet Service Provider administered by Taiwan's Ministry of Education; take enforcement actions against the unauthorized use of copyrighted material on or near universities; and consider stronger criminal penalties for IPR infringement. The United States looks to Taiwan to continue its good efforts to address these remaining IPR concerns and will work closely with Taiwan to achieve further progress.

TAJIKISTAN

Tajikistan will remain on the Watch List in 2007. Tajikistan made progress passing IPR legislation this past year. The United States remains concerned, however, that Tajikistan has not yet fulfilled its IPR obligations under the U.S.-Tajikistan Bilateral Agreement, and encourages Tajikistan to take the necessary steps to bring its IPR regime into conformity with the TRIPS Agreement as part of its ongoing efforts to join the WTO. In addition, Tajikistan continues to have a weak enforcement regime that lacks criminal penalties for IPR violations, *ex officio* authority to commence criminal cases, and civil *ex parte* search procedures necessary for effective enforcement against end-user pirates, among other important enforcement measures. The Tajik Customs Code also fails to provide customs officials with *ex officio* authority to suspend the release of suspected

infringing materials at the border. Legal reforms are also needed, for example, in Tajikistan's copyright law, which does not provide protection for sound recordings or pre-existing works. The United States also encourages Tajikistan to ratify and implement the WIPO Internet Treaties. The United States will continue to work with Tajikistan through the Trade and Investment Framework Agreement signed in 2004 and the ongoing WTO accession negotiations to address deficiencies in its IPR laws and strengthen IPR protection and enforcement.

TURKMENISTAN

Turkmenistan will remain on the Watch List in 2007. The United States remains concerned about Turkmenistan's lack of progress on IPR issues and its lack of fulfillment of its IPR obligations under the United States-Turkmenistan Trade Agreement. For example, Turkmenistan has neither become a member of nor implemented the Berne Convention, the Geneva Phonograms Convention, or the WIPO Internet Treaties. Turkmenistan does not have a separate copyright law and does not provide clear criminal procedures or penalties for IPR infringement as required by the U.S.-Turkmenistan Trade Agreement. Its Customs Code does not provide *ex officio* authority to seize suspected infringing material at the border, and there are no known civil *ex parte* search procedures. The United States urges Turkmenistan to adopt the legal reforms that will bring Turkmenistan into compliance with its obligations under the bilateral United States-Turkmenistan Trade Agreement and to undertake enforcement activities that will help to strengthen its IPR regime.

UZBEKISTAN

Uzbekistan will remain on the Watch List in 2007. The United States is concerned about Uzbekistan's lack of significant progress on IPR issues. For example, although Uzbekistan moved forward with copyright reform in 2006, Uzbekistan should pass several other pending IPR-related amendments to strengthen IPR protection and enforcement. While Uzbekistan has joined the Berne Convention, the United States notes with concern Uzbekistan's continuing reservation to Article 18, which requires that signatory countries provide copyright protection to pre-existing works. Furthermore, the United States has concerns with Uzbekistan's compliance with its intellectual property commitments under the United States-Uzbekistan Trade Agreement, particularly with respect to copyright protection and enforcement. Uzbekistan does not provide protection for sound recordings or pre-existing works, and is not a member of the Geneva Phonograms Convention or the WIPO Internet Treaties. In addition, IPR enforcement in Uzbekistan remains weak due to a lack of *ex officio* authority that would allow customs officials to seize infringing goods at the border, a lack of civil *ex parte* search procedures, and inadequate criminal penalties for IPR violations. The United States urges Uzbekistan to address these deficiencies in its IPR legal regime and to take immediate and effective measures to improve IPR enforcement. The United States will continue to work together with Uzbekistan on these outstanding IPR issues through discussions related to Uzbekistan's bid for WTO accession and in the on-going review of Uzbekistan's status as a beneficiary country under the U.S. Generalized System of Preferences (GSP) Program.

VIETNAM

Vietnam will remain on the Watch List in 2007. Vietnam made significant improvements to its IPR legal and enforcement regimes in 2006, culminating in Vietnam's accession to the WTO in January 2007. In 2006, Vietnam also took steps to ensure that government agencies use only legitimate software and put in place implementing regulations to provide protection against unfair commercial use for data generated to obtain marketing approval. Despite these improvements, however, the U.S. copyright and trademark industries report that IPR infringement rates remain high in Vietnam. The United States encourages further progress on IPR enforcement initiatives and continued implementation of Vietnam's new IPR laws, through which Vietnam has said it will provide high standards of IPR protection. Satellite signal piracy also remains an area of concern. The United States looks to Vietnam to continue to build upon its public commitment to strong IPR protection by successful implementation of all its IPR laws, including measures that result in the imposition of deterrent penalties for criminal IPR infringement and the seizure and destruction of infringing goods and the equipment and materials used to make them. The United States and Vietnam will work together to ensure that Vietnam continues to strengthen its IPR regime.

WATCH LIST – RECENTLY COMPLETED FREE TRADE AGREEMENTS

COLOMBIA

Colombia will remain on the Watch List in 2007. The United States commends Colombia for its actions to combat IPR violations and for amending its Criminal Code in 2006 to increase sentences for copyright infringement. Copyright piracy remains high, and efforts to combat piracy through raids and other enforcement measures are hampered by a judicial system that fails to prosecute cases actively or to issue deterrent criminal sentences. Border enforcement needs improvement as well. The United States will work with Colombia to ensure that Colombia makes progress on these pressing IPR issues through the implementation of its IPR commitments in the United States – Colombia Trade Promotion Agreement (CTPA), in which Colombia has committed to implement high standards of IPR protection through its legal structures and enforcement practices.

COSTA RICA

Costa Rica will remain on the Watch List in 2007. The United States remains concerned about weak IPR enforcement in Costa Rica, particularly with respect to copyright piracy and trademark counterfeiting. The United States encourages the Government of Costa Rica to address the shortcomings in its IPR enforcement system by assigning high priority and resources to combating piracy and counterfeiting. Additional IPR areas of concern include inadequate protection against unfair commercial use for data generated to obtain marketing approval, and inadequate protection for patents, copyrights, and trademarks. In 2004, Costa Rica signed the United States – Central America – Dominican Republic Free Trade Agreement (CAFTA–DR), which it has not yet ratified. The United States urges Costa Rica to ratify and implement CAFTA–DR in the near term.

DOMINICAN REPUBLIC

The Dominican Republic will remain on the Watch List in 2007. The Dominican Republic passed IPR laws in 2006 to implement its commitments under CAFTA–DR, which entered into force on March 1, 2007. These legislative reforms enhance the Dominican Republic’s protections for patents, copyrights, and trademarks, as well as strengthen its IPR enforcement regime. The United States encourages the Dominican Republic to enforce these new IPR laws and hopes to see a resulting decline in the high levels of piracy and counterfeiting in the Dominican Republic.

GUATEMALA

Guatemala will remain on the Watch List in 2007. Through the implementation of Guatemala’s IPR obligations under the CAFTA–DR, Guatemala’s laws provide for stronger IPR protection and enforcement. Nevertheless, IPR enforcement remains a problem. The United States hopes to see a significant reduction of piracy and counterfeiting in Guatemala. The United States is also concerned that Guatemala’s health authorities have issued procedures that may undermine some of the protections against unfair commercial use for pharmaceutical data generated to obtain marketing approval under the CAFTA–DR; Guatemala needs to address this issue to ensure that it

meets its obligations. The United States will continue to monitor Guatemala's compliance with its IPR obligations under CAFTA–DR.

PERU

Peru will remain on the Watch List in 2007. Peru made some IPR improvements this year, including assigning IPR judges to courts and increasing the number of prosecutors' offices with IPR responsibilities. Despite these improvements, however, numerous IPR problems remain. The U.S. copyright industries report that piracy levels remain high. The United States encourages the Government of Peru to continue its efforts to combat IPR piracy by: conducting more raids and seizures; ensuring that arrests of IPR infringers result in convictions and the imposition of deterrent sentences that include imprisonment; and giving increasing attention to IPR enforcement measures at its borders. The United States will work closely with Peru to ensure implementation of Peru's IPR commitments under the United States – Peru Trade Promotion Agreement (PTPA), in which Peru has committed to implement high standards of IPR protection through its legal structures and enforcement practices. The United States urges Peru to strengthen IPR protection and enforcement to ensure that it will meet its international and PTPA commitments.

REPUBLIC OF KOREA

The Republic of Korea (Korea) will remain on the Watch List in 2007. The United States welcomes the strong and far-reaching IPR commitments that Korea agreed to undertake under the U.S. – Korea Free Trade Agreement (KORUS FTA) concluded in April 2007. In the areas of patents, trademarks, copyrights, protection against unfair commercial use for data generated to obtain marketing approval, and enforcement, Korea has agreed to considerably strengthen its IPR protection and enforcement regimes. The United States believes that adherence to these commitments will lead to a significant improvement in IPR protection as well as a reduction in piracy and counterfeiting in the Korean market. The United States looks forward to working closely with Korea as it implements these important provisions in the KORUS FTA.