

**The U.S. – Korea Free Trade Agreement (FTA)  
The Intellectual Property Provisions**

**Report of the  
Industry Trade Advisory Committee on Intellectual Property  
Rights (ITAC-15)**

**April 27, 2007**

# **Advisory Committee Report to the President, the Congress and the United States Trade Representative on the U.S. – Korea Free Trade Agreement**

## **Prepared by the Industry Trade Advisory Committee on Intellectual Property Rights (ITAC-15)**

### **I. Purpose of the Committee Report**

Section 2104 (e) of the Trade Act of 2002 requires that advisory committees provide the President, the U.S. Trade Representative, and Congress with reports required under Section 135(e)(1) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into an agreement.

Under Section 135(e) of the Trade Act of 1974, as amended, the report of the Advisory Committee for Trade Policy and Negotiations and each appropriate policy advisory committee must include an advisory opinion as to whether and to what extent the agreement<sup>1</sup> promotes the economic interests of the United States and achieves the applicable overall and principle negotiating objectives set forth in the Trade Act of 2002.

The report of the appropriate committee must also include an advisory opinion as to whether the agreement provides for equity and reciprocity within the sectoral or functional area.

Pursuant to these requirements, the Industry Trade Advisory Committee on Intellectual Property Rights (ITAC-15) hereby submits the following report.

### **II. Executive Summary of Committee Report**

The U.S. – Korea Free Trade Agreement (“KORUS FTA”) is the second FTA in the recent series of FTAs that has been agreed to with a country in an advanced stage of development. ITAC-15 believes that, taken as a whole, the intellectual property provisions of this agreement are very strong and commends the U.S. negotiators for a job well done. This agreement is broadly consistent with the negotiating goals and objectives contained in the Trade Act of 2002 and those of the U.S. intellectual property-based industries, creators and innovators. ITAC-15 strongly supports the chapter on intellectual property and notes that it restores key provisions that had not been included in recent TPAs or FTAs.

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<sup>1</sup> This report is based on a review of the intellectual property provisions of ITAC-15 dated April 1, 2007, and made available to cleared industry advisors on the secured USTR website. This text is not the “final” text, which at a minimum must undergo a legal “scrub” before it is submitted to the Congress and to the President. Accordingly, the final agreement may be different from the text upon which ITAC-15 has made these comments.

Completion of the KORUS FTA on April 1, 2007, together with the recent completion of the U.S.– Panama TPA, follows the negotiation of the U.S.-Peru TPA, U.S.-Colombia TPA and three other FTAs with countries in the Middle East/North Africa – the U.S.-Morocco FTA, which entered into force on January 1, 2006, the U.S.-Bahrain FTA, which entered into force on August 1, 2006 and the U.S.-Oman FTA which was signed by both parties on January 19, 2006 and has yet to enter into force. ITAC-15 last reported on an FTA with a country in an advanced stage of development on April 12, 2004, when it filed its report on the U.S. – Australia FTA.

ITAC-15 takes note of the discussions currently underway between the Administration and the Congress that may result in changes to certain provisions in the sections of the KORUS FTA on Patents and Measures Related to Certain Regulated Products after the deadline for submission of this report. These substantive changes could go beyond the changes in some past FTAs and TPAs that have resulted from the “legal scrub process” (see below). In this regard, ITAC-15 understands that an opportunity will be provided to all ITACs to file addenda to their reports in which they will be able to comment on any changes made to the text of the KORUS FTA after expiration of the thirty day advisory committee comment period.

ITAC-15 wishes to underscore the importance that it attaches to a close working relationship between ITAC-15 and industry, on the one hand, and U.S. negotiators, on the other, in ensuring that the model FTA intellectual property text, which has been carefully developed through the course of negotiation of eleven prior FTAs, continues to form the basis for these other agreements. Such relationship was critical during the course of this negotiation as well, and will remain so for future FTAs.

ITAC-15 also expresses its continuing concern about the fact that the texts provided to the cleared advisors for their review have not gone through the “legal scrub process.” ITAC-15 urges U.S. negotiators to make every effort either to provide the cleared advisors with “final” text before ITAC-15 is asked to file its reports, or, at a minimum, to submit the “scrubs” for advisor review before they become final. Unfortunately, in the case of this FTA, ITAC-15 is again required to submit its report before the final text of the Agreement is available.

Finally, ITAC-15 urges the United States not only to monitor very closely the implementation by Korea (and our other FTA partners) of their FTA obligations but also to ensure that Korea and our other FTA partners have in place, before the entry into force of the FTAs and TPAs, national legislation that faithfully reflects their FTA obligations. In this regard, ITAC-15 commends the United States for working with FTA partners to secure fully-compliant national legislation before each agreement enters into force, but notes that entry into force of the Bahrain FTA occurred without a thorough review of the Bahrain legislation, as it was finally adopted. This unfortunate development only reemphasizes the critical need to carefully review all implementing legislation after it has been adopted to ensure that no FTA enters into force until full compliance is achieved. To help ensure this outcome, ITAC-15 considers it essential that, if need be, entry into force be postponed until that full compliance is achieved.

### **III. Brief Description of the Mandate of ITAC-15**

As part of its mandate to provide detailed policy and technical advice, information and recommendations on trade-related intellectual property matters, ITAC-15's predecessor committee, IFAC-3 advised U.S. negotiators on, and reviewed draft texts of, the Singapore FTA, the Chile FTA, CFTA-DR, the Australia FTA, and the Morocco FTA intellectual property chapters. In particular, IFAC-3 evaluated these FTA provisions in the context of the IP-related objectives contained in the Trade Act of 2002 and the objectives and achievements of other U.S. multilateral and bilateral initiatives on intellectual property. ITAC-15 continued this review with the Bahrain and Oman FTAs and the Peru, Colombia and Panama TPAs and issued reports on those agreements as well.

### **IV. Negotiating Objectives and Priorities of ITAC-15**

The negotiating objectives and priorities for ITAC-15 reflect those contained in the Trade Act of 2002 (Pub. L. No. 107-210, 116 Stat. 995 (codified at 19 U.S.C. Sec. 3802(b)(4) (2002), trade promotion authority legislation) which also provided the fast-track authority under which this Free Trade Agreement will be reviewed and voted on. Specifically, ITAC-15's objectives and priorities seek to further promote the adequate and effective protection of intellectual property rights on a global basis. To accomplish this goal, the Committee works with the U.S. government to ensure full implementation of not only the substantive obligations in the TRIPS agreement but also the enforcement obligations as well. The enforcement text is assuming increasing importance as countries improve their substantive standards of protection and especially in the context of increasing global trade in information and other innovative and creative products subject to intellectual property protection. The Committee also seeks to ensure that these standards of protection and enforcement keep pace with rapid changes in technology, including establishing that right holders have the legal and technological means to control the use of their works through the Internet and other global communication media, and to prevent the unauthorized use of their works. The Committee seeks to ensure the full range of protections for patented innovations, to eliminate any discrimination against U.S. right holders by any of our trading partners, and to secure deterrent enforcement against piracy, counterfeiting, cyber squatting and other infringements through significant improvements in civil and criminal remedies and penalties. Finally, the Committee seeks to establish strong precedents in these FTAs in order to raise the global level of protection and enforcement globally, nationally and in regional and in multilateral agreements.

The FTA process has become the principal process through which the IPR-based industries are able to ensure that the standards of protection and enforcement keep pace with new developments.

## **V. Advisory Committee Opinion on Agreement**

### **Introduction**

The KORUS FTA builds on the standards already in force in the TRIPS agreement, the NAFTA, the Jordan, Singapore, Chile, and Australia FTAs, updating these standards to take into account the wealth of experience operating under those agreements since their coming into force from 1995 to 2005. It also takes into account the many years of experience gained from bilateral engagement with countries under the Special 301 trade process through which the U.S. Trade Representative has sought to leverage both legal and enforcement reforms in countries posing particular intellectual property problems for U.S. industry and for the U.S. economy. Perhaps most important, the KORUS FTA takes into account the significant legal and technological developments that have occurred since the TRIPS and NAFTA agreements entered into force and mirrors, and, in many areas, improves upon, the Singapore, Chile, and CFTA-DR in order to establish clear precedents in most key areas of IP protection for future FTA negotiations, many of which precedents were also followed in the FTAs with Morocco, Bahrain, and Oman.

We applaud Korea for agreeing to higher levels of protection, by incorporating in the agreement all the obligations set forth in the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT) which are so critical to creating the legal infrastructure for e-commerce, for the distribution and transmission of protected materials over the Internet and for products in digital format generally.

ITAC-15 welcomes, indeed, lauds, the successful negotiation of the KORUS FTA. While ITAC-15 recognizes that the negotiation of FTAs with individual countries and regions is labor-intensive, especially when compared with the negotiation of a multilateral agreement among the 150 Members of the WTO, FTA negotiations, provided that they result in strong standards of intellectual property protection and effective enforcement, provide the most effective approach currently available to the United States for improving global intellectual property protection. The negotiation of an individual FTA provides the opportunity to deal with specific intellectual property concerns that U.S. industry may have in the particular negotiating partner. Our goal in the negotiation of an FTA is to set a new baseline for all future FTAs. This baseline is continually reflected in the model FTA agreements, which are constantly changing based on what we learn through negotiating each of the FTAs.

ITAC-15 recognizes that, to a large extent, the negotiation of FTAs has become the primary focus of the U.S. trade agenda and supports the use of all policy tools to gain worldwide improvement in intellectual property protection. ITAC-15 urges U.S. negotiators to ensure that FTAs remain part of a coordinated, multi-dimensional program that not only includes multilateral and regional initiatives but also focuses on substandard intellectual property protection and enforcement in countries that are not parties to FTA negotiations.

ITAC-15 views the TRIPS Agreement as reflecting minimum international norms of intellectual property protection that most countries should already have in place. The role of

the FTAs is to clarify, where necessary, those obligations and to improve upon them by enhancing the level of intellectual property protection in the negotiating partner.

ITAC-15 urges the U.S. Government to continue to maintain a strong bilateral program to deal with IPR deficiencies in non-FTA countries, many of which are critical markets for our industries and which may never be FTA candidates. It is therefore essential that traditional trade tools such as Special 301, Section 301, the unilateral trade preference programs and WTO dispute settlement be aggressively employed to lift levels of intellectual property protection in those countries. Many of these countries have failed to recognize the clarifications and new standards that U.S. negotiators have been able to achieve in the FTAs, while others may not be implementing these clarifications and new standards lest they lose bargaining chips in any future FTA with the United States. Further, ITAC-15 notes that negotiating FTAs has an impact on the effectiveness of the overall bilateral program including with non-FTA countries.

While the KORUS FTA contains important TRIPS clarifications and additional protections, industry will only gain the expected commercial benefits from the enhanced intellectual property protection contained in the FTA when the FTA is implemented in a proper and timely manner. ITAC-15 notes with much concern, for example, the problems that U.S. industry has faced in Jordan, Chile, Australia, Singapore, Morocco and, currently with some of the CFTA countries, the Dominican Republic and Bahrain, in respect of their implementation of those FTAs and urges the United States not only to monitor very closely the implementation by Korea (and our other FTA partners) of their FTA obligations but also to be prepared to act to ensure proper and timely implementation of those obligations.

ITAC-15 believes that, taken as a whole, this agreement is very strong and commends U.S. negotiators. Accordingly, ITAC-15 strongly supports the chapter on intellectual property and notes that it restores key provisions that had not been included in recent TPAs or FTAs.

ITAC-15 further wishes to underscore the importance that it attaches to a close working relationship between ITAC-15 and industry, on the one hand, and U.S. negotiators, on the other, not only in the development of a model FTA intellectual property text, which would form the basis for these other agreements but also during the course of the FTA negotiations themselves.

ITAC-15 strongly supports Congressional approval of this agreement.

The following summarizes the main provisions of the intellectual property text and highlights both the provisions that we believe provide strong protection, and those few provisions which ITAC-15 views as deficiencies.

#### General Provisions

These provisions acknowledge that both countries have already ratified and acceded to the major IPR treaties, including the WIPO Copyright Treaty (WCT), and contain the

national treatment and other general provisions governing all of Chapter 15. An exception is the WIPO Performances and Phonograms Treaty (WPPT), to which Korea agrees to accede by the date of entry into force of the Agreement.

ITAC-15 is pleased with the general breadth of the national treatment provisions but is particularly disappointed that the agreement carves back such treatment and subjects to reciprocity the rights of phonogram producers and performers with regard to analog communications, including analog free over-the-air broadcasting and other analog broadcasting. ITAC-15 believes that national treatment is a fundamental precept of the Free Trade Agreements and it is particularly vexing that, in an FTA between two advanced economies, full national treatment was not obtained.

### Trademarks

Generally, the trademarks section includes major provisions that should assist trademark owners in protecting trademarks.

Article XX.2.1 provides that marks need not be visually perceptible to be registered. This leaves open the possibility of registering sound and scent marks, which is positive. It would be preferred, as in CAFTA-DR, as it relates to sound marks, that sound and scent marks be mandated as protectable. Nevertheless, removing the barrier to protection of sound and scent marks is a step forward.

Article XX.2.2 requires the Parties to protect certification marks. Collective marks are not mentioned. Although not critical, it would be preferred that collective marks be likewise specifically considered trademarks and required to be protected as was the case in the Colombia FTA. The language also provides that geographical indications be eligible for protection as trademarks. This language lends itself to a system of protection for geographical indications similar to the preferred U.S. system where geographical indications are eligible for protection through the trademark system of protection.

Article XX.2.3 reaffirms TRIPS Article 20 in that the use of one's trademark shall not be encumbered. Thus, the Article clarifies and enhances existing TRIPS obligations prohibiting interference with the use of trademark rights in products such as pharmaceuticals that are also subject to requirements regarding the use of the generic or common name of the product.

Article XX.2.4 reaffirms the TRIPS requirement that the trademark owner's rights are exclusive rights—that is, the trademark owner can prevent confusing uses of identical or similar signs, including geographic indications. This is a favorable provision and its inclusion is commended. This Article does include the presumption of confusion for identical signs for identical goods or services as has been included in prior FTA's but was not included in the Bahrain FTA or the Colombia FTX. It is preferred that this presumption be included as it is in this FTA.

Industry is pleased with the broader scope of protection that will be required for well-known marks under Articles XX.2.6, XX.2.7 and XX.2.8. Similar to the Singapore, Chile,

Morocco, Bahrain, Oman and Colombia FTAs, the Peru TPA and CAFTA-DR, this FTA extends protection of well-known marks to dissimilar goods and services, whether registered or not, with the proviso that the expanded protection is based on an association between the goods/services and the owner of the well-known mark and when the interests of the trademark owner are likely to be damaged. In view of the frequency of infringements of well-known marks, the ability of well-known trademark owners to protect their marks on unregistered and dissimilar goods and services is critical to protecting these valuable assets. In addition to what has been included in prior FTA's, this FTA includes further protection for well-known marks by not requiring (Article XX.2.6) a registration, inclusion in a list of well-known marks or prior recognition as a well-known mark to qualify for well-known protection. This addition should be included in future FTA's.

In Article XX.2.8, the KORUS FTA contains a provision that provides for owners of well-known marks to prohibit or cancel trademark registrations of marks that are identical or similar to the well-known mark. This protection in the KORUS FTA extends not only to registration of conflicting marks but also to the *use* of the conflicting mark. In addition, the KORUS FTA extends protection for well-known marks so as to prevent infringement by geographical indications, as well trademarks. This FTA provides the greatest protection for well-known marks to date and should be applauded.

Article XX.2.10 makes strides toward office automation and greater use of electronic means to interact with trademark officials and the establishment of accessible trademark databases.

The elimination of the requirement of trademark license records (Article XX.2.13) is a positive development. This change means that trademark owners and licensees can take steps to protect and enforce trademarks without unnecessary administrative hurdles.

In Article XX.2.15, we see a continued improvement in the protections that trademarks receive in relation to geographical indications. As with the Oman, Bahrain and Morocco FTAs, this FTA includes provisions providing for the refusal of protection of geographical indications if they were to conflict with a registered or pending trademark or a trademark where the rights thereto have been acquired through use. In addition, this provision provides for the refusal of protection of geographical indications if they conflict with a famous trademark. Further, this provision clarifies the rules as they relate to determinations of priority. These provisions are welcome.

### Geographical Indications

The KORUS FTA, as with the Oman, Colombia, Chile, Morocco and Bahrain FTAs, the Peru TPA and CAFTA-DR, has a more extensive provision on geographical indications than does the Singapore text. As such, it builds upon and clarifies that language. Like the Oman, Colombia, Singapore, Chile, Morocco and Bahrain FTAs, the Peru TPA and CAFTA-DR, this FTA includes a provision (Article XX.2.4) that requires that the owner of a registered trademark must have the right to prevent the use, in the course of trade by third parties, of confusingly similar signs, including geographical indications. This FTA, as with prior FTAs, also includes a specific provision which would prohibit the protection or recognition of a geographical indication that is confusingly similar to a previously used,



applied for or registered trademark, thereby unequivocally protecting prior trademarks against later geographical indications (Article XX.2.15). Then, going one step farther than the Colombia, Chile, Morocco and Bahrain FTAs, the Peru TPA and CAFTA-DR text, this FTA, like the Oman FTA, provides for the refusal of protection of geographical indications if they conflict with a famous trademark and goes on to clarify how determinations of priority are made. This is a welcome addition and is consistent with TRIPS and U.S. law and policy on the subject of the relationship of geographical indications and trademarks.

ITAC-15 also supports this geographic indication text of the KORUS FTA because it requires in Article XX.2.14 a very systematic and fair opportunity to object to the protection of geographical indications. One of the major problems with the protection of geographical indications is the lack of a clear mechanism to determine whether a geographical indication should be granted protection. The KORUS FTA provides clear language requiring such a mechanism.

Finally, the text broadens the definition of a geographical indication to allow for the protection of geographic indicia other than the actual names of geographic places (such as the outline of a state) (Article XX.2.2 footnote 5). This provides the opportunity to protect geographic indicia as geographical indications, which will benefit those organizations that seek such protection. Provided that the above-mentioned relationship between trademarks and geographical indications remains clear and prior trademarks are protected against infringement by later geographic indications, the broadened definition for geographical indications is likewise welcome.

#### Domain Names on the Internet

The KORUS FTA provides two provisions regarding domain names: Article XX.3.1 requires that each Party shall provide for Uniform Domain Name Dispute Resolution Procedures for the country-code top level domains (ccTLDs) of the Parties. Article XX.3.2 requires each Party to provide public access to “reliable and accurate” contact information for each domain name registrant. These provisions combine to combat the problems of copyright and trademark cyber-piracy and are welcome. ITAC-15 prefers, however, (and mentioned this in its Colombia, Oman, Chile and Morocco FTAs, the Peru TPA and CAFTA-DR reports) that there be a direct reference to the “Whois” database and any additional contact information elements as available in the gTLDs namespace. Inclusion of this direct reference would clarify the type of information this database must contain. Reference to “Whois” was included in the Singapore FTA.

ITAC-15 wishes to underscore that the provisions regarding the establishment of Uniform Domain Name Dispute Resolution Procedures for ccTLDs in this FTA address only *trademark* cyber-piracy, and not other *alleged* abuses such as the use of geographic terms in domain names. ITAC-15 commends the fact that challenges based upon the use of geographic terms as, or as part of, a domain name are **not** included as a basis of challenge pursuant to the Uniform Domain Name Dispute Resolution Procedures.

As opposed to CAFTA-DR, the KORUS FTA, like the Colombia, Oman, Chile, Singapore, Morocco and Bahrain FTAs and the Peru TPA does not include a sentence providing that “due

regard may be given to the Parties' legislation protecting the privacy of its nationals" as it relates to domain name contact information. ITAC-15 is pleased that this provision is not included in the KORUS FTA as such a provision could be used to limit or restrict right holders access to an accurate Whois database.

An increasingly important issue for trademark owners is the cost of maintaining domain names. This FTA does not address the issue. In the future, adopting language to limit the cost of maintaining ccTLD domain names should be strongly considered as countries increasingly are using domain name maintenance fees for revenue generation purposes. This should be discouraged through treaty language as it is becoming increasingly costly for brand owners to maintain their rights.

### Copyright and Related Rights and the Protection of Certain Satellite Signals

The United States is the world's largest producer and exporter of copyrighted materials and loses more revenue from piracy and other inadequate copyright protection than any other country in the world. High levels of copyright protection and effective enforcement mean more revenue and more higher-paying jobs benefiting all Americans. The copyright industries account for over 6.56% of U.S. GDP and have employed new workers at an average of three times the rate of the economy as a whole over the last 25 years.

Industry's goal for the KORUS FTA intellectual property negotiations, like its goal for all the FTAs, was to achieve a level of protection that in some areas improved on the standards in TRIPS and NAFTA and, in others, clarified provisions in those agreements. In addition, it was critical to achieve Korea's agreement to fully implement the provisions of the WCT and WPPT. Finally, industry and the U.S. negotiators sought to clarify and build upon provisions of the TRIPS enforcement text in light of the industries' evolving business models and the U.S. copyright industries' wide experience with copyright enforcement globally. This objective was, in almost all instances, achieved, with the notable exception of the denial of national treatment to record companies and performers in certain instances as outlined above. ITAC-15 finds it highly objectionable that a "gold-standard" free trade agreement would be marred by permissive discrimination in how intellectual property rights are granted and enjoyed, and we express our hope that no future FTA will admit of such a derogation to national treatment.

The first improvement sought was to ensure that the level of protection for record producers and performers in Korea came as close as possible to the protection afforded other subject matter receiving Berne Convention levels of protection. With digitization of all works and their transmission over the Internet becoming more important daily, the continued treatment of sound recordings in a manner different from other protected works no longer can be justified. ITAC-15 is pleased that the KORUS FTA, with limited exception, ensures that record producers and performers receive protections close to those of other right holders. Second, ITAC-15 also notes that the KORUS FTA obligates Korea to subject temporary copies to the reproduction right, a notable accomplishment

given that Korea had long refused to treat temporary copies as falling within the reproduction right.

While the text repeats some obligations already contained in the TRIPS agreement without change, other language has been clarified, particularly in the enforcement text. The KORUS FTA text does, however, contain detailed provisions that require implementation of the obligations provided in the WCT and WPPT, to which both Parties to the Agreement will be members by the date of entry into force of the Agreement. These include:

- Clear language assuring that temporary and transient copies (such as those made in the RAM of a computer) are nevertheless copies and fully subject to the reproduction right. This treatment is critical in a digital, networked world in which copyrighted material can be fully exploited without a permanent copy ever being made by the user. The Korea text is subtly different from other texts in that it includes a footnote that recites the three-step test and states that parties may implement exceptions based on fair use so long as the exception is consistent with the three-step test. Of course, all of the FTAs negotiated by the U.S. permit parties to introduce and/or maintain exceptions, provided that they are consistent with the three-step test. ITAC-15 supports the view that in general it is not helpful and superfluous to identify specific forms of exceptions. (Article XX.4.1);
- The right to control any technological manner of transmitting works, including interactive transmissions over electronic networks like the Internet, with only minor exceptions for analog communications and broadcasts of sound recordings and performances recognized in U.S. law (Articles XX.5 and XX.6.3);
- The requirement that Korea implement protection for technological protection measures (TPMs) used by right holders to protect against unauthorized access and exploitation of their works, and that it do so in a manner compatible with the approach of U.S. in the DMCA in 1998. In addition, the text provides for a list of narrowly crafted exceptions – in close conformity with how the U.S. Congress approved those exceptions in U.S. law. Similar to the Australia FTA, the KORUS FTA provides that circumvention of access control measures is prohibited only if it is carried out with knowledge or with the reason to know. Fortunately, the KORUS FTA goes a step further than the Australia FTA by providing injunctive relief for right holders if circumvention without knowledge leads to infringement. (Article XX.4.7);
- Full implementation of the WCT and WPPT provisions on prohibiting the removal or alteration of electronic rights management information along the lines set out in the DMCA (Article XX.4.8);
- Those specific provisions of the WPPT that seek to harmonize the rights afforded sound recordings with most of those rights afforded all other protected works were not fully implemented. The points of attachment which dictate when performers and producers of U.S. sound recordings benefit from the rights of this chapter -- i.e. nationality, where the recording is first published, or where the master recording is first made -- were narrowed in the KORUS FTA by omitting

where the recording is first published from the points of attachment. By contrast, the U.S. provides performers and producers of sound recordings rights on the basis of any of the above three criteria. In future FTAs, industry would encourage a provision that provides U.S. right holders the same points of attachment that foreign right holders can claim under U.S. law. (Article XX.6.1);

- A repetition of the three-step test for circumscribing the scope of exceptions to copyright protection found in the TRIPS Agreement and the WCT and WPPT (Article XX.4.10(a)); and
- Reiteration of the TRIPS and WIPO treaties' obligation ensuring the full term of protection for pre-existing works (Article XX.4.5)

Other key provisions (and omissions and deficiencies) clarifying, or in some cases going beyond, the existing TRIPS obligations include:

- Continuing the precedents established in the Singapore, Chile, Morocco, and Central America FTAs, but not coming as far as the Oman FTA, Korea has agreed to extend its terms of protection closer to that in the U.S.—to life of the author plus 70 years for most works. While industry sought to have the term of protection for sound recordings and audiovisual works extended from 50 years from publication to a term matching the U.S. law's 95 years, as achieved in the Oman text, a compromise was struck at 70 years. Unfortunately, the KORUS FTA also includes a two-year transition period for implementation of this commitment with no explicit provision for ensuring that the term of protection for works or sound recordings not be permitted to expire during this transition period. A version of this result was achieved in the Singapore FTA. We would encourage the U.S. Government to discuss this issue with the Korean Government as soon as possible. We urge that future agreements move that level to the full 95 years and that the U.S. Government avoid inclusion of such transition periods in any future FTAs. (Article XX.4.4);
- The text includes a provision (Article XX.4.3) that makes clear that there is no hierarchy of rights between those of authors and those of record producers, a problem characteristic of some Latin American countries;
- The language that appears in the Singapore FTA, CAFTA, Morocco and Bahrain FTAs ensuring that countries cannot subject internet retransmission of television signals to a compulsory license also appears in the KORUS FTA text (Article XX.4.10(b)). This continues an important precedent for the region;
- Unfortunately, the KORUS FTA text, like the Australia and Oman FTAs, does not contain a provision which follows U.S. law (17 USC §602) – a provision included in the Morocco FTA – providing for the right of a copyright owner to prevent parallel imports of its products manufactured outside Korea that are not intended for distribution in that country. Obtaining such important protection, following the Morocco precedent, would have been another major advance in the copyright text;
- The text incorporates the important “contractual rights” provisions originally from the NAFTA agreement (also contained in the Singapore and Chile FTAs, CAFTA, Morocco, Australia, and Bahrain FTAs), ensuring that Korea will give

effect to transfers of rights and the treatment of monetary benefits resulting from such transfers that are contained in U.S contracts. (Article XX.4.6). This provision is intended to safeguard the freedom of contract and to ensure that a country may not pass laws that undermine the intent of the parties to such contracts;

- The text contains an all-important requirement that the two governments issue decrees or other similar orders mandating use of legal software by government agencies. The U.S. has already issued such an Executive Order and it is critical for all governments, Korea included, to ensure that their software use is fully licensed and that effective software management systems are established. The KORUS FTA builds on this obligation, incorporating useful APEC principles that broadly mandate that government agencies not to use materials infringing copyright. This expansion is intended to safeguard against illegal P2P file sharing activities and capture published material and protected databases and industry strongly encourages the inclusion of similar language in future FTAs. (Article XX.4.9); and
- Finally, the substantive text adds provisions, based upon a similar provision in the NAFTA, protecting against the theft of encrypted satellite signals and the manufacture of and trafficking in tools to steal those signals. The Singapore FTA made it a criminal offense to manufacture and trade in these tools and to “receive or further distribute” such encrypted signals and the KORUS FTA follows this model. The KORUS FTA makes several notable improvements to this Article, however. First, the Article expands protection to encrypted cable signals. Second, the Article criminalizes those situations where the signal – cable or satellite – is lawfully decrypted but subsequently retransmitted, for commercial advantage, without the authorization of the lawful signal distributor. These improvements offer right holders similar protections as found in the U.S Communications Act and industry strongly encourages their inclusion in future agreements (Article XX.7).

While ITAC-15 has identified certain limitations of the IP Chapter of the Agreement, ITAC-15 fully endorses the Agreement’s substantive copyright text and expresses its view that this Agreement materially advances the U.S. national interest, and we commend the negotiators for achieving this most important result.

### Patents

ITAC-15 notes that strong and effective patent regimes that provide a legal framework for the protection of technology stimulate not only innovation but delivery to the market of new products and services. As a general rule, the level of patent protection found in the industrial countries and, especially the level found in the United States, provide an appropriate level of incentives for these goals.

ITAC-15 views the provisions found in the current version of the KORUS FTA with respect to patent term restoration (Article 15.9.6), data exclusivity (Article 15.10.1) and “linkage” (15.10.2(a)) as minimum levels of effective protection against which the

effectiveness and adequacy of similar provisions in future FTAs should be measured.

In that regard, ITAC-15 notes that Korea already provides many of the clarifications and additional provisions that enhance the patent and undisclosed information standards of the TRIPS Agreement that were included in earlier FTAs. Nevertheless, the FTA repeats a number of those clarifications and additional protections found in the earlier FTAs. ITAC-15, however, hastens to add that the absence from the KORUS FTA of a number of other clarifications and additional protections should not be misconstrued as setting any precedents for the negotiation of future FTAs, especially with developing countries with lower standards of intellectual property protection when measured not only with those found in Korea but also with those found in the TRIPS Agreement.

ITAC-15 believes that it should be the objective of U.S. negotiators in the FTAs to ensure a similar level of patent protection in FTA partners, notwithstanding their level of economic development, as in the United States. Similarly, with regard to regulated products, the protection for undisclosed information available under U.S. law ensures a fair return on investment in the expensive research and development process for pharmaceutical and agricultural chemical products. In that regard, ITAC-15 views the provisions found in the current version of the KORUS FTA with respect to patent term restoration (Article XX.8.6), data exclusivity (Article XX.9.1 and .2) and “linkage” (XX.9.4(b)) as minimum levels of effective protection against which the effectiveness and adequacy of similar provisions in future FTAs should be measured.

ITAC-15 believes that the use of simple, straight-forward language will help avoid later misinterpretations of the intellectual property obligations contained in FTAs by governments of less-than-goodwill that seek to undermine those obligations. To that end, ITAC-15 urges U.S. negotiators to insist that the final language track the FTA language contained in the U.S. model text.

It is in light of these objectives that ITAC-15 provides its comments on the provisions relating to patents and to measures related to certain regulated products that are contained in the recently completed FTA with Korea.

As in other FTAs, the patent section clarifies and improves on the standards contained in the TRIPS Agreement. The inclusion of these provisions is most welcome.

Certain of the obligations establish strong new precedents for the global standards applicable to patents. For example, the KORUS FTA, in noting the adherence of both countries to the Patent Cooperation Treaty, recognizes that this well-accepted international application regime has delivered benefits to patent applicants. Incorporating PCT adherence as a mandatory obligation of U.S. FTAs extends the procedural benefits of this treaty to patent applicants seeking to obtain protection on a global basis.

ITAC-15 notes with satisfaction that the KORUS FTA confirms that patents will be available for all products and processes and for any uses or methods of using a known product. The obligation, which includes patents on plants and animals, reinforces the standards that exist today in Korea and validates the importance of extending, without

exclusion, broad patent eligibility for biotechnology products. The FTA, however, continues to permit Korea to exclude patents on surgical, diagnostic and therapeutic methods and for technology that may not be commercially exploited in the territory (i.e., consistent, respectively, with Articles 27.3(a) and 27.2 of the TRIPS Agreement). (Article XX.8.1 and .2)

The KORUS FTA restricts, in Article XX.8.4, the grounds for the revocation of a patent or to the holding of the patent as unenforceable to those limited to the patentability of the invention as well as to fraud, misrepresentation or inequitable conduct. ITAC-15 notes that the KORUS FTA includes the prohibition of pre-grant opposition and urges U.S. negotiators to continue to include the prohibition of pre-grant opposition in all future FTAs where the potential for abuse exists.

The KORUS FTA places restrictions, in Article XX.8.5, on how a third party may use a patented invention to generate data needed for the marketing approval of generic pharmaceutical products (so-called Bolar-type use). These restrictions limit the use of such data to use specifically for purposes related to meeting the marketing approval requirements; and if export of the generic pharmaceutical product is permitted, the product shall only be exported outside the territory of the Party for purposes of meeting marketing approval requirements of that party. In view of the corresponding obligation to extend the term of a patent to compensate for lost effective patent term due to delay in the regulatory approval of a new drug, these restrictions generally reflect U.S. law and practice.

The KORUS FTA recognizes, in Article XX.8.6(a), the delays that patent owners face in the issuance of their patents by the patent office and requires patent term adjustments to compensate for these delays. ITAC-15, however, notes with some concern that the definition of an “unreasonable delay” used in the Oman, Bahrain and Morocco FTAs --a delay in the issuance of the patent of more than four years from the date of filing of the application in the territory of the Party or two years after a request for examination of the application, whichever is later—was not used in the KORUS FTA, which defines “unreasonable delay” as the later of four years from filing or three years after an examination request. ITAC-15 also notes that this provision only applies to patent applications filed after January 1, 2008. ITAC-15 urges a return in future FTAs to the standards used in the Middle Eastern FTAs. Subparagraph (b) of this Article provides patent term restoration for the unreasonable curtailment of the patent term as a result of the marketing approval process for pharmaceutical products covered by a patent.

ITAC-15 welcomes the certainty provided by the definition of “new pharmaceutical product” found in footnote 20 as a “product that at least contains a new chemical entity that has not been previously approved as a pharmaceutical product” in Korea.

The KORUS FTA requires Korea to treat public disclosures of an invention that occur within 12 months prior to the filing date of the application in Korea to be non-patent-defeating. ITAC-15 is, however, disappointed that the 12-month grace period will only apply to patent applications filed in Korea after January 1, 2008. (Article XX.8.7)

ITAC-15 welcomes Articles XX.8.8 through XX.8.11, which provide procedural definitions that will facilitate patent examination and ensure the transparency of that process. Pursuant to Article XX.8.11, both countries will seek to establish a cooperative framework between their respective patent offices as a way to make progress towards the mutual exploitation of search and examination work. The inclusion of such procedural provisions is particularly germane to an FTA between two countries that provide high levels of patent protection.

ITAC-15 believes that future FTAs, especially with countries in advanced stages of development, should include clarifications that no disclosure requirements beyond those found in Article 29 of TRIPS may be imposed on patent applicants. Such a provision would explicitly prohibit countries from imposing special disclosure requirements regarding the origin of genetic resources or comparable grounds that could be used as a basis either to refuse to grant the patent or to invalidate it.

ITAC-15 notes that the KORUS FTA fails to explicitly limit a country's authority to grant compulsory licenses to situations that are needed to remedy anti-trust violations and to national emergencies or other circumstances of extreme urgency; and to govern situations of public non-commercial use.

ITAC-15 is particularly disappointed that the KORUS FTA does not contain the obligation that each country must provide effective legal means to enable a patent owner to prevent the unauthorized importation of goods put on the market in another country by it or its agent. This provision, which is found, for example, in the Morocco FTA, ensures that a patent owner can prevent the international exhaustion of patent rights via a right of action to enforce contractual provisions that are violated outside the territory of Korea.

ITAC-15 believes that it is critical that future FTAs include these restrictions on patent disclosure, compulsory licensing and international exhaustion.

#### Measures Related to Certain Regulated Products

The provisions of the KORUS FTA clarify the obligations contained in TRIPS Article 39.3 with respect to data exclusivity and provide for additional protection with respect to pharmaceutical products subject to a patent. While the provision on data exclusivity only provides the minimum protection that Korea is required to provide and does not impose any additional obligations beyond those contained in TRIPS Article 39.3, it does serve to clarify the intent of the TRIPS Agreement.

To give effect to the data exclusivity obligations of Article 39.3 of TRIPS, the KORUS FTA imposes an obligation of "non-reliance" on either the originator's approval or the originator's data package itself for a period of at least five years from the date of approval for a pharmaceutical product and, at least, ten years from the date of approval for an agricultural chemical product in Korea. (Article XX.9.1(a))



In addition, the KORUS FTA explicitly provides protection in cases where regulatory approval is conditioned on the demonstration of prior marketing approval in another territory by requiring the deferral of the date of any marketing approval to third parties not having the consent of the party providing the information in the other territory for a period of at least five years from the date of approval for a pharmaceutical product and at least ten years from the date of approval for an agricultural chemical product in Korea. (Articles XX.9.1(b)) Footnote 23 essentially acknowledges that, as of the time of the signature of the KORUS FTA, Korea has a system in place that does not permit the unauthorized marketing of generic copies on the basis of either such information or evidence of prior marketing approval in another territory.

The KORUS FTA seeks to ensure that the term “new product” that is used in Article XX.9 is not confused with the “novelty” requirement for patentability found in Article XX.8.1 that an invention must be “new.” ITAC-15 welcomes, as an important clarification of the term “new chemical entity” found in TRIPS Article 39.3, the regulatory-related definitions of a “new pharmaceutical product” and “new agricultural product” contained in Article XX.9(c). The Article defines a “new pharmaceutical product” as one that does not contain a chemical entity that has been previously approved in Korea for use in a pharmaceutical product; and a “new agricultural product” as one that contains a chemical entity that has not been previously approved in Korea for use in an agricultural product.

Subsections (a) and (b) of Article XX.9.2 require Korea to provide additional periods of non-reliance of three years from the date of marketing approval in Korea for new clinical information (other than information related to bioequivalency) or evidence of prior approval of the product in another territory that requires such new information, which is essential for the approval of a pharmaceutical product that uses a previously approved chemical component.

Similarly, sections (c) and (d) of Article XX.9.2 require Korea to provide additional periods of non-reliance of, at a minimum, ten years from the date of marketing approval in Korea for new safety or efficacy information or evidence of prior approval of the product in another territory that requires such new information, which is essential for the approval of an agricultural chemical product that had been previously approved in Korea.

While these provisions on data exclusivity do not impose any additional obligations beyond those contained in TRIPS Article 39.3, and are, indeed minimum standards of protection, they do serve to clarify the intent of the negotiators of the TRIPS Agreement.

In addition, the KORUS FTA explicitly restricts Korea from terminating the data protection period with the expiration of the underlying patent. (Article XX.9.3)

The KORUS FTA also imposes a second set of obligations that explicitly requires Korea to implement measures in its marketing approval process to prevent generic drug approvals during the term of the patent covering the pharmaceutical product (i.e., “linkage”); and requires the mandatory disclosure of the identity of the generic applicant

that seeks marketing approval to enter the market during the patent term. (Article XX.9.2). ITAC-15 urges the U.S. Government to monitor the implementation of the “linkage” obligation to ensure that the Korean Food and Drug Administration does not grant marketing approval for products during the term of the patent notified to them as covering that patent or its approved method of use. In this regard, while Article XX.9.2 (a), on “linkage,” does not specify a period, ITAC-15 believes that the current 30 month stay on the entry of a generic drug during pending patent-infringement litigation, provided under U.S. law, provides an effective level of protection under “linkage.”

ITAC-15 welcomes these provisions with respect to certain regulated products contained in the KORUS FTA.

### Enforcement

ITAC-15 wishes to underscore the importance that it attaches to the effective enforcement of the full panoply of intellectual property rights afforded in this agreement, which build upon the enforcement obligations in the TRIPS agreement and previously negotiated free trade agreements. The updated protections afforded in this agreement will be of little value to U.S. companies without the capability and willingness of the Government of the Republic of Korea – any government for that matter – to enforce those standards, particularly against commercial piracy and counterfeiting (and other infringements) that cause such a drain on the U.S. and Korean economies.

Today, eleven years after the WTO TRIPS enforcement obligations became effective in the developed world and six years after they became effective in the developing world, the U.S. companies and industries benefiting from this agreement continue to suffer billions of dollars in losses due to global piracy, counterfeiting and other infringements of the rights provided in TRIPS and in this agreement – primarily due to ineffective enforcement by our trading partners.

While, for the most part, the substantive provisions of the TRIPS Agreement have been implemented in these countries, it is crystal clear that the enforcement obligations are not being met by many countries. The continued development and importance of new technologies, such as the Internet, and the accompanying greater ease with which piracy and counterfeiting can be accomplished, have made this situation even more acute. In addition, the alarming increase in the international trade in counterfeit pharmaceutical products is raising public health concerns, especially in developing and least developed countries. It was the objective of the U.S. government, of ITAC-15 and of the entire U.S. intellectual property community to use the opportunity offered by the FTA process (the Doha Round in the WTO will not be considering changes in the TRIPS enforcement text) to use our enforcement experience over this period to improve and strengthen these enforcement obligations, with the goal of having them adopted on a global basis.

ITAC-15 notes that this task was particularly challenging since governments are most reluctant to bind themselves to specific performance standards in the area of enforcement. But it is precisely the day-to-day operation of the enforcement system and its ability to “deter further infringements” (the TRIPS standard) which will bring back to

the U.S. and to other countries the billions of dollars lost globally to rampant piracy and counterfeiting, including counterfeiting of pharmaceutical products.

This agreement makes some significant advances toward the broader goal of setting high standards and good precedents for the future and for other FTAs. But again, even in Korea, the proof will lie in the implementation of these new standards on the ground in the country, by police, prosecutors, judges and administrative agencies responsible for enforcement and implementation of intellectual property rights. Some of these advances (clarifying or building upon existing TRIPS standards) include:

#### General Obligations

- These general provisions clarify and expand, for the most part, existing TRIPS obligations;
- Article XX.10.2 requires both parties to publicize information “that the Party may collect” with respect to their enforcement efforts including making available enforcement statistics, if kept by each country. The keeping and publicizing of enforcement information is a key to deterrence and permits industry and governments to evaluate performance and educate the public about the importance of intellectual property rights, and the risks attendant upon their infringement. ITAC-15 would prefer that this obligation be stronger, including provisions that would “require” the keeping of statistics on cases brought and outcomes reached;
- Article XX.10.3 is a very significant advance for the copyright industries and completes the process of fixing a serious problem in many enforcement systems. This provision lays out detailed presumptions that must be implemented in national law concerning the subsistence and ownership of copyright in all protected subject matter. Proving these preliminary issues in court, without the benefit of presumptions, makes enforcement difficult, expensive and causes long and unnecessary delays, all to the detriment of expeditious and effective enforcement against the run-of-the-mill piracy and counterfeiting that causes most of the losses globally. ITAC-15 notes, however, that the provision only requires the defendant to provide “evidence” to rebut the presumption. ITAC-15 urges that the Parties to the FTA must interpret this to mean “credible” evidence, not just “any” evidence. In addition to the presumptions for the copyright industries, ITAC-15 supports the language that provides owners of registered trademarks with a presumption of trademark validity in civil, administrative and criminal proceedings after having been subjected to administrative proceedings in obtaining the trademark registration. The rebuttable presumption of patent validity in civil and administrative proceedings is also a positive development in this agreement. Moreover, the presumption that each patent claim is valid independent of other claims is a welcome development.

#### Civil and Administrative Procedures and Remedies

- Article XX.10.5 states that civil damages, at least in the area of copyright or related rights infringement and trademark counterfeiting, must compensate the right holder for the damages suffered or for the infringer’s profits, not both as found in the Oman

FTA and other FTAs. Thus, Article XX.10.5(a) is less robust than the provisions in prior FTAs and could result in failure to adequately compensate right holders and at the same time provide for effective deterrence in civil cases as required in TRIPS Article 41. Moreover, the KORUS FTA formulation results in Korean right holders receiving a higher standard of protection in the United States than U.S. right holders receive in Korea. Article XX.10.5(b) requires the courts, upon submission from the right holder, to “consider” a “legitimate measure” of the value of the infringed upon product, including the suggested retail price of the legitimate product as a measure of the loss to the right holder. Industry prefers stronger language that damages “be based upon” this measure;

- Article XX.10.6, “at least” with respect to copyright piracy and trademark counterfeiting, makes the option to provide for statutory (or “pre-established”) damages in the TRIPS Agreement mandatory and it is an option that is to be elected by the right holder. It is a major goal of industry to see an effective statutory damages regime established in every country. We also note that the text retains the Singapore FTA and the MFTA language that statutory damages be “in an amount sufficient to constitute a deterrent to further infringements.” It is a reference to the deterrence standard that is one of the key elements of an effective enforcement system;
- Articles XX.10.7-9 elaborate on and make mandatory many discretionary remedies from the TRIPS Agreement. One significant positive inclusion in the KORUS FTA is to permit prevailing patent owners in infringement suits to be able to recover court costs and, in exceptional cases, attorney’s fees. Article XX.10.7 provides that judicial authorities must have the authority to order payment of court costs or fees, except in extraordinary cases, in cases involving trademark counterfeiting or copyright or related rights cases. There must also be the authority to order payment of reasonable attorney’s fees to the prevailing party in cases involving copyright or related rights. Article XX.10.9 makes clear the right of judicial authorities to order the seizure of suspected infringing goods, implements and other materials (and ITAC-15 expects that this obligation will be interpreted to authorize courts to require the police to seize all infringing goods found at a site, even if not named specifically in a warrant). Article XX.10.8 only mandates the seizure of documentary evidence in trademark counterfeiting cases and ITAC-15 believes this obligation should extend to copyright piracy as well. Article XX.10.9 gives the authority to the court to order the destruction of infringing goods “at the right holder’s request,” a welcome improvement over the CAFTA text which leaves this to the judge’s discretion. Unlike the Chile FTA and CAFTA, this text does not contain the right in certain circumstances to donate trademarked goods to charity where they might find their way back into the stream of commerce. Unlike the Chile FTA, this article mandates the destruction of implements used in the infringement and permits disposal outside the channels of commerce only in “exceptional circumstances.” The language contains no qualifiers permitting additional judicial discretion, as in the CAFTA and Chile FTA which could be subject to abuse. ITAC-15 prefers this and the Singapore, MFTA and BFTA formulation;
- Article XX.10.10 mandates that courts have the authority to order the infringer to identify other accomplices, suppliers and other third parties involved in the

infringement at the risk of fines or imprisonment for failure to do so. The latter is particularly critical given the role that organized crime plays in today's piracy and counterfeiting;

- Article XX.10.11 is critical to judicial proceedings and requires each Party to provide the judicial authorities with the authority to fine, detain, or imprison a party to civil litigation who fails to abide by a court order. The judicial power extends to the ability to impose sanctions on counsel, expert witnesses or "other persons subject to the court's jurisdiction". The absence of such language in TRIPS raised serious doubts about the ability of the court to adequately hear cases and order parties to provide information in their control. This provision is a strong step toward proper adjudication of infringement cases;
- Article XX.10.13 extends the panoply of civil remedies to circumventing technological protection measures and tampering with rights management information including the use of statutory damages at the election of the right holder. Destruction of devices is mandatory, except in exceptional circumstances, an improvement over the weaker CAFTA formulation;
- Article XX.10.14 requires that the judicial authorities have the power to order a party to stop infringing activity with regard to imports and exports. The expansion of the authority to issue orders regarding both imports and exports recognizes the importance of preventing infringing goods from entering the channels of commerce whether in the domestic market or intended foreign markets;
- Article XX.10.15 adds that, if expert witnesses are required by the court and must be paid for by the right holder, the charges be related to the work performed, and not deter recourse to such relief. This seeks to remedy abuses found in many countries;
- The KORUS FTA also adds Article XX.10.16 allowing each Party to permit the use of Alternative Dispute Resolution to resolve civil disputes. In view of the possible costs of litigation, the alternative may both lower costs and permit resolution of disputes in a more timely manner.

#### Provisional Measures

- Article XX.10.17 reflects the TRIPS requirement for *ex parte* provisional relief in civil cases and requires that such orders be issued "expeditiously." Quick *ex parte* search orders are critical to meaningful civil enforcement against infringements. Industry prefers that this provision contain a more precise guideline for the time period for a search order request to be acted upon or denied, such as within 10 days, except in exceptional circumstances;
- Article XX.10.18 again builds upon TRIPS by providing that any security required of the plaintiff be "reasonable" and not "deter" recourse to these procedures (experience in many countries is that the right to require bonds and security has been abused).

#### Special Requirements Related to Border Measures

The provisions relating to enforcement at the border include improvements over the TRIPS text.

- Articles XX.10.19 et seq. streamline the border enforcement measures and clarifies and expands TRIPS border enforcement powers. Article XX.10.19 provides trademark owners with broader protection at the border than is required by TRIPS. In addition to border measures to stop counterfeits, trademark owners can seek protection against goods bearing confusingly similar marks. Next, Article 17.11.19 states that right holders must provide sufficient information to identify goods to establish a *prima facie* case, but it attempts to limit the information that can be required by stating that the information should be reasonably expected to be in the right holder's knowledge. Moreover, the requirement to provide such information must not unreasonably deter recourse to these procedures. The provision also provides that an application to suspend the import of goods will remain in effect for not less than one year. These are welcome clarifications. Third, Article XX.10.20 provides that right holders put up security, but that the amount of such security be reasonable and not unreasonably deter recourse to the procedures. Fourth, Article XX.10.21 requires that the competent authorities have the authority to provide the right holder with information related to goods determined to be infringing, which includes information identifying the consignee, exporter, and consignor as well as information regarding the country of origin, quantity of goods seized and a description of the goods. Moreover, the Article instructs that this information should be provided by the competent authorities within 30 days of the seizure and industry views this specificity as a useful addition to an effective enforcement system. While the identification of the consignee, consignor and exporter are to be provided, there is no reference to the importer. ITAC-15 recommends that future agreements include the importer information in order to make this more complete;
- Article XX.10.22 raises the border measures above the TRIPS minimum. As TRIPS does not require that the competent authorities have *ex officio* enforcement authority, the requirement for such authority at the border is a welcome addition in that customs should have the authority to take action without a right holder complaint. Moreover, the Article requires that the competent authorities take action against imports, exports, goods in-transit and goods in free trade zones. As a result of this expanded authority to enforce against counterfeit trademarks, confusingly similar marks and copyright pirated goods, safe passage is no longer assured simply because a shipment is outbound or passing through a Party's territory;
- Article XX.10.23 outlines the treatment and disposition of pirate and counterfeit goods found by the authorities at the border. The KORUS FTA outlines these measures and indicates that counterfeit and pirate goods shall be destroyed except in exceptional circumstances. It strengthens the disposition requirements for trademark counterfeit goods, clearly indicating that the simple removal of unlawfully affixed trademarks is not sufficient to permit release into channels of commerce and that in no event shall authorities permit export of counterfeit or pirated goods;
- Article XX.10.25, like other FTAs includes a provision calling for exchange of technical advice and for bilateral and regional cooperation. This is also a positive development.

## Criminal Procedures and Remedies

- Article XX.10.26 again builds on the TRIPS provisions in this area. For the copyright or related rights and trademark industries, criminal remedies and effective border measures are key to reducing losses globally. The critical concept of piracy or counterfeiting “on a commercial scale” is clarified to include infringing acts without a profit-motive or commercial purpose but which cause damage “on a commercial scale” – the proper reading of this term in TRIPS. Thus, even where the person posting infringing material on the Internet is not charging a fee to the downloader/viewer/listener, such acts cause great damage to those right holders and must be covered. The text in Article XX.10.26 includes this concept (as does the NET Act in the U.S.). ITAC-15 would have preferred the “more than *de minimis*” threshold in the CAFTA than the requirement for “significant” willful infringements in the AFTA text. It will be important to ensure that the threshold adopted by Korea is low.
- Article XX.10.27(a) seeks to reach one of the most serious problems for right holders globally—the failure of judges or other enforcement authorities to actually impose penalties at a real deterrent level. The text is more specific with respect to the remedies that must be available and includes reference to penalties being sufficiently high to provide a deterrent and “consistent with a policy of removing the monetary incentive of the infringer”. However the text appears to draw a distinction between what is in the law and what judges do in practice. In the latter situation, the text only requires Korea to “encourage” judges to impose deterrent penalties. The language from the CAFTA referring to “guidelines” including sentencing guidelines is not contained in this text.
- Article XX.10.27(b) deals with the endemic problem of the seizure by authorities of only product and implements named in a search order even though other clearly infringing products are at the search site. The language is still somewhat limited and requires seizure of all products within the “general categories” in the search order. Search orders in many countries are written too narrowly and it remains ambiguous whether this provision would require seizure of pirate videogames, music, software or books found in a search requested by the movie industry looking for pirate DVDs, videos, etc. It is incumbent upon right holders, judges and the governments implementing this provision to permit broad search orders that facilitate seizures of all pirate and counterfeit material found at a raid site. The provision also requires the seizure of implements used in committing offense, and the seizure of assets and documentary evidence without qualification. This mirrors CAFTA, MFTA, OFTA and BFTA texts;.
- Article XX.10.27(c) raises the enforcement bar by requiring the judicial authorities to have the authority to order forfeiture of assets traceable to the infringing activity. This authority was also required of the judicial authorities in OFTA;
- Article XX.10.27(d) requires the judicial authorities to have the authority to order forfeiture and destruction of the infringing goods as well as and the materials and implements used in the production of infringing goods. The provisions are similar to those in OFTA;

- Article XX.10.27(e) includes a provision that was new in OFTA, that in criminal cases, judicial or competent authorities are required to keep an inventory of goods and other materials that are proposed to be destroyed;
- Article XX.10.27(f) requires appropriate authorities to act *ex officio* against piracy and counterfeiting. Many countries require a right holder to make a formal complaint, which is a major enforcement impediment and should be eliminated on a global basis. Piracy and counterfeiting must be “public” crimes;
- Article XX.10.28 adds an additional offense, not found in TRIPS, making it a crime to deal in counterfeit labels and documentation for certain products. This is also a positive advance.
- Article XX.10.29 requires each Party to have criminal procedures subjecting a person to criminal liability for unauthorized transmission or copying of a motion picture or audiovisual work in a public motion picture exhibition facility. This provision, which makes unauthorized camcording a criminal offense, tracks the U.S. Family and Entertainment Copyright Act and ensures that U.S. right holders are afforded the same protections that Korean right holders receive in the United States. This provision, which was a key objective of the U.S. motion picture industry, is essential to combat the global piracy of motion pictures and audiovisual works and ITAC-15 strongly encourages its inclusion in future agreements.

#### Limitations on Liability of Service Providers

Article XX.10.30 governs the key issue of the liability of, and limitations on the liability of, service providers that are involved in the hosting and transmission of infringing material over their facilities. The result of the negotiation follows what was achieved in Singapore, Chile, CAFTA, Australia, Morocco and Bahrain and is an excellent set of provisions that establishes the basic functional equivalent of the concepts and provisions embodied in U.S. law. Industry also notes that article XX.10.30(a) requires each party to provide “legal incentives for service providers to cooperate with copyright owners” which means that Korea should develop, clarify, and strengthen its laws imposing secondary liability for copyright infringement.

Having in place a system of potential liability of ISPs is the key to ensuring the cooperation that is essential to making the Internet safe for the transmission of protected copyright products. ITAC-15 is also pleased that the two countries have agreed, in a side letter, to a “notice and takedown” system modeled after the statutory system contained in the DMCA.

#### Transitional Provisions

Through Article XX.11, Korea has taken a two-year transition period from entry into force to extend the terms of protection for copyrighted works to the life of the author plus 70 years. Unfortunately, there is no explicit provision for ensuring that the term of protection for works or sound recordings not be permitted to expire during this transition period. A version of this result was achieved in the Singapore FTA. We would



encourage the U.S. Government to discuss this issue with the Korean Government as soon as possible.

ITAC-15 notes that, with this exception and the transition provisions contained in the body of Chapter XX, the obligations in the Chapter enter into force with the KORUS FTA itself.

### **Side Letters**

— Side Letter 1 contains the details of an effective notice and takedown process modeled on the DMCA provisions. ITAC-15 strongly supports these procedures.

— Side Letter 2 obligates the Korean government to take appropriate measures to control infringement of books on or near university and school campuses. The side letter includes obligations to (1) enhance training initiatives for enforcement personnel; (2) reinvigorate procedures related to university anti-piracy action plans; (3) engage in public education campaigns regarding the effects of piracy on campuses; and (4) increase enforcement against underground book piracy activities. Industry sees all four of these obligations as great steps forward in the fight against infringement of educational materials and applauds the U.S. negotiators for achieving these commitments.

— Side Letter 3 responds to the ongoing problem of on-line piracy in Korea. This side letter confirms the parties' commitment to augment enforcement against online piracy of all copyrighted works, including, of course, sound recordings and against the growing phenomenon of p2p piracy. It also ensures that, in appropriate circumstances, liability will attach for those who profit from unauthorized downloading regardless of whether they are directly involved in the infringement, as well as for those who induce the online infringement of others. Moreover, this side letter affirms that Korea will issue a policy directive that establishes clear jurisdiction for effective enforcement against online piracy, including the formation of a division or joint investigation team; that it will take criminal action for online piracy ex-officio; and will afford transparency to right holders. Given Korea's extensive broadband Internet capacity, which provides for the increased capacity for data transmission, coupled with the rapid global growth of Internet piracy, this side letter is a very welcome supplement to the FTA disciplines.

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