

**The U.S.-Singapore Free Trade Agreement (FTA)
The Intellectual Property Provisions**

**Report of the
Industry Functional Advisory Committee on Intellectual Property
Rights for Trade Policy Matters (IFAC-3)**

February 28, 2003

Advisory Committee Report to the President, the Congress and the United States Trade Representative on the U.S.-Singapore Free Trade Agreement

Prepared By the

Industry Functional Advisory Committee on Intellectual Property Rights for Trade Policy Matters (IFAC-3)

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 agreement¹ 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 sectoral or functional 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 Functional Advisory Committee on Intellectual Property Rights for Trade Policy Matters (IFAC-3) hereby submits the following report.

II. Executive Summary of Committee Report

IFAC-3 believes that, taken as a whole, this agreement is 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. IFAC-3 strongly supports the chapter on intellectual property and believes that, on the whole, it establishes key precedential provisions to be included in the other FTAs now being negotiated, included the FTAA. Given the significant and global commercial implications of alternative levels

¹ This report is based on a review of the Singapore FTA agreement dated December 23, 2002. 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 IFAC-3 has made these comments.

of protection and enforcement, IFAC-3 wishes to underscore the importance that it attaches to a close working relationship between IFAC-3 and industry, on the one hand, and U.S. negotiators, on the other, in the development of a model FTA intellectual property text, which would form the basis for the negotiation of these other agreements.

III. Brief Description of the Mandate of IFAC-3

As part of its mandate to provide detailed policy and technical advice, information and recommendation on trade-related intellectual property matters, IFAC-3 advised U.S. negotiators on, and reviewed draft texts of, the U.S.-Singapore FTA intellectual property chapter. 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.

IV. Negotiating Objectives and Priorities of IFAC-3

The negotiating objectives and priorities for IFAC-3 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, IFAC-3'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 latter 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 level of protection and enforcement globally.

V. Statement as to Whether Agreement Provides for Sectoral or Functional Equity and Reciprocity

The concept of sectoral equity and reciprocity is not relevant to the development of rules such as those in the chapter on intellectual property. With the exception of the certain unilateral commitments by Singapore contained in a side letter to the agreement, the provisions on intellectual property apply equally to both Parties. IFAC-3 expects that Singapore will equitably implement all of the intellectual property-related provisions of this agreement, but will not hesitate to recommend U.S. action under the provisions of the dispute settlement chapter should Singapore's implementation of the agreement fall short of its commitments made in this agreement.

VI. Advisory Committee Opinion on Agreement

Introduction

The U.S.- Singapore FTA sets out the highest standards of protection and enforcement for intellectual property yet achieved in a bilateral or multilateral instrument, treaty or convention. It builds on the standards already in force in the TRIPS agreement and the NAFTA agreement, updating these standards to take into account the wealth of experience operating under those agreements since their coming into force in 1995 and 1992, respectively. It also takes into account the many years of experience gained from bilateral engagement with countries under the Special 301 trade process under 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 Agreement takes into account the significant legal and technological developments that have occurred since those agreements entered into force. For example, the Agreement incorporates 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.

Accordingly, IFAC-3 welcomes the successful negotiation of the Singapore FTA Agreement. While IFAC-3 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 144 Members of the WTO, FTA negotiations 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. The resultant level of intellectual property protection that it contains should, however, not be viewed as setting any ceilings for the intellectual property chapters of future FTAs. Rather, our goal in the negotiation of an FTA is to set a new baseline for future FTAs, including the FTAA.

IFAC-3 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.

IFAC-3 believes that, taken as a whole, this agreement is strong and commends the U.S. negotiators. It supports the chapter on intellectual property and believes that the agreement, on the whole, establishes key precedential provisions to be included in the other FTAs now being negotiated, including the FTAA. IFAC-3 wishes to underscore the importance that it attaches to a close working relationship between IFAC-3 and industry, on the one hand, and U.S. negotiators, on the other, in the development of a model FTA intellectual property text, which would form the basis for the negotiation of these other agreements.

While, as a general rule Singapore had met its TRIPS obligations before the launch of the FTA negotiations, IFAC-3 wishes to underscore its expectation that the U.S. will insist, in any future FTA negotiations with countries that have yet to implement fully their TRIPS obligations, that they not only do so before the launch of the negotiations but also provide a standstill specifically with respect to the approval of generic copies of pharmaceutical products.

While IFAC-3 strongly supports Congressional approval of this agreement, there are some provisions, which fall short of providing the level of protection desired by U.S. industry. There are also elements of such protection that are missing from the agreement and should have been included.

The following summarizes the main provisions of the intellectual property text and highlights both the provisions that we believe provide strong protection and those which IFAC-3 views as deficiencies.

General Provisions

These provisions require accession to a number of key treaties and contain the national treatment and other general provisions governing all of Chapter 16. IFAC-3 is particularly pleased with the national treatment provision, which is broad and permits no exceptions, unlike the national treatment provisions in the TRIPS and NAFTA agreements. The U.S. has always supported the principle of full national treatment without exception in the intellectual property field. Having secured similar treatment from Singapore in this FTA will hopefully set a significant precedent for other FTAs. We also note with approval the clarification in the text that national treatment extends to “any benefits derived” from the “protection and enjoyment” of intellectual property of any kind. It is commendable to see this issue resolved in such a clear way in this agreement, establishing what we believe must be a strong precedent for future agreements.

Trademarks and Geographical Indications

Article 1601.1 provides that each Party shall give effect to Articles 1-6 of the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks.

Industry prefers an explicit provision providing trademark owners with the opportunity to pursue procedures to prohibit or cancel trademark registrations that are identical or similar to well-known marks where confusion, mistake, deception or risk is involved in relation to well-known marks.

Article 1602.4 broadens protection of well-known marks, extending protection of such 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.

Article 1602.5 improves trademark protection by providing that the validity of a mark and efforts to protect registered marks are not dependent upon recording trademark licenses. The fact that license recordal cannot be required for purposes of validity and asserting rights has the potential of saving trademark owners from the imposition of significant fees.

Article 1602.6 builds on TRIPS Article 20 that the use of a trademark shall not be unjustifiably encumbered. This provision states that where the use of a generic name is required, the use of a generic shall not impair the effectiveness of the trademark.

Geographical indications are dealt with briefly in Article 1602.1 and 2 of the Singapore FTA text.

In Article 1602.1, geographical indications are specifically permitted to, although not required, to be considered as a type of trademark. This is consistent with U.S. trademark practice, which allows for the registration of geographical terms as certification or collective marks. This specific allowance for the treatment of geographical indications appears to be an effort to steer the development of the protections of geographical indications in the direction of the current practice under U.S. law, which is the preferred practice. Consequently, the language is welcome and appropriate, although it might not go quite far enough in not prohibiting the implementation of specific geographical protections outside of the trademark regime and, thus, could lead to conflict between competing regimes.

Article 1602.2 requires that the owner of a registered trademark have the right to prevent the use, in the course of trade by third parties, of confusingly similar signs, including geographical indications.

One member of the Committee is concerned that this provision regarding the relationship between geographical indications and trademarks raises a number of questions for distilled spirits producers, in particular, as to how the "first-in-time, first-in-right" principle will be applied both in the United States and in Singapore. The adoption of the principle of exclusivity for trademark owners with respect to the term "Bourbon," for example, may require changes in U.S. trademark practice and/or labeling requirements, the extent and implications of which are not yet known.

Other members of the Committee concerned about this relationship, however, feel that the language involving exclusivity of trademarks is not problematic. The language contained in the Singapore FTA granting trademark registrants the right to prevent third parties from using confusingly similar signs is nearly identical² to the language contained in the TRIPS agreement (Article 16.1). Given that the language of TRIPS Article 16.1 has not given rise to problems thus far, it is unlikely that this language will either. In fact, it is not likely that a change in U.S. law would be required at all to implement this paragraph given the fact that nearly identical language is contained in TRIPS.

The language of the Singapore text lacks clarity only to the extent that it does not specifically protect earlier trademarks from later protected geographical indications. While the WTO case that the U.S. government is currently pursuing against the European Union regarding EU Regulation 2081/92 on Geographical Indications may touch on and clarify this issue, IFAC-3 believes that it would be best to clarify the issue explicitly in the context of FTAs.

Domain Names on the Internet

The Singapore FTA provides two provisions regarding domain names: Article 1603.2 requires that each Party shall provide for Uniform Domain Name Dispute Resolution Procedures for the country-code top level domains (ccTLDs) of the Parties. This Article also requires that each Party provide public access to a "reliable and accurate" "Whois" database of contact information for each domain name registrant. These provisions combine to combat the problems of copyright and trademark cyber-piracy and are welcome. IFAC-3 is pleased that the reference to the availability of contact information specifically refers to the "Whois" database.

IFAC-3 wishes to underscore that the provisions regarding the establishment of Uniform Domain Name Dispute Resolution Procedures for ccTLDs in the Singapore FTA address only trademark cyber-piracy, and not other alleged abuses such as the use in domain names of geographical terms. IFAC-3 commends the fact that challenges based upon the use of geographical terms as, or as part of, a domain name are not included.

² While Article 1602.2 specifically includes "geographical indications" as signs, this is merely clarifying language. These members believe it is well understood, not only in the TRIPS agreement but also within this Agreement, that "signs" would in fact include geographical indications, regardless of whether or not the text included the clarifying language regarding geographical indications.

The Singapore FTA also includes a provision (Article 1603.1) requiring each Party to participate in the process of the Governmental Advisory Committee of ICANN. IFAC-3 agrees that such participation is beneficial and supports this provision in the FTA.

Copyright and Related Rights and Protection of Certain Satellite Signals

The United States is the world's largest producer and exporter of copyrighted materials and at the same time 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 5% of U.S. GDP and have employed new workers at over three times the rate of the economy as a whole over the last 25 years.

The goal for the Singapore FTA intellectual property negotiations 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 Singapore's agreement to fully implement the provisions of the WCT and WPPT, along the same lines as the U.S. had in the DMCA in 1998. Finally, industry and the U.S. negotiators sought to clarify and build upon provisions of the TRIPS enforcement text in light of the U.S. copyright industries' wide experience with copyright enforcement globally. This objective was, in almost all instances, achieved.

The first improvement over prior agreements was to ensure that the level of protection for record producers and performers, relegated to second-class citizenship under "related" or "neighboring" rights regimes in many other countries, was the same as for works 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. The text no longer makes this artificial distinction between copyright and "related" rights, and the difference in levels of protection among these works has been minimized.

While the text does not repeat obligations already found in the TRIPS agreement, it does contain detailed provisions that require implementation of the new obligations provided in the WCT and WPPT to which Singapore is not currently a member. 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 (Article 1604.1);
- The right to control any manner of transmitting works, including interactive transmissions over electronic networks, like the Internet, with only minor exceptions for sound recordings and performances recognized in U.S. law (Article 1604.2(a));

- The requirement that Singapore implement protection for technological protection measures (TPMs) used by right holders to protect against unauthorized access and exploitation of their works in the same manner as did the U.S. in the DMCA in 1998. In addition the text provides for a list of narrowly crafted exceptions – in close consistency with how the U.S. Congress crafted those exceptions in U.S. law. That these provisions were so precisely crafted, with no opportunities for damaging loopholes, is a significant gain and bodes well for the implementation by other countries of their TPM provisions in a manner closely similar to the way it was achieved – correctly in the view of the creative community – in U.S. law (Article 1604.7);
- 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 1604.8);
- Implementation of those specific provisions of the WPPT that seek to harmonize the rights afforded sound recordings with most of the rights afforded all other protected works. (Article 1605.1-4).

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

- New language to ensure that Singapore may not subject retransmission of television signals to a compulsory license; such uses are subject to exclusive rights afforded the right holders of the subject matter contained in such signal (Article 1604.2(b));
- Unfortunately, the text does not contain a provision which follows U.S. law (17 USC §602) providing for the right of a copyright owner to prevent parallel imports of its products manufactured outside Singapore that are not intended for distribution in that country. The failure to obtain such important protection is a deficiency in the copyright text;
- In a major advance, Singapore has agreed to extend its term of protection closer to that pertaining 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 the U.S. law’s 95 years, a compromise was struck at 70 years. We urge that future agreements move that level to the full 95 years (Article 1604.4);
- The text incorporates the important “contractual rights” provisions of the NAFTA agreement ensuring that Singapore will give effect to transfers of rights and the treatment of monetary benefits resulting from such transfers that are contained in U.S. contracts. This safeguards the freedom of contract and ensures that Singapore’s law may not undermine the intent of the parties to such contracts. This has been a controversial issue, with the European Union (and some other countries), and we hope this language will establish a global precedent in this important area (Article 1604.6);
- 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, Singapore included, to ensure that their software use is fully licensed and that effective software management systems are established (Article 1604.10);
- Finally, the substantive text incorporates the provisions of the NAFTA agreement protecting against the theft of encrypted satellite signals and the manufacture and trafficking in tools to steal those signals. It subjects prohibited conduct to both civil and criminal liability (Article 1605.6).

With the exceptions noted, the substantive copyright text achieves all that U.S. industry sought in this negotiation and the negotiators are to be commended in achieving this most important result.

Patents

IFAC-3 notes with satisfaction that the patent and regulated products sections of the Singapore FTA include a number of important clarifications of the existing TRIPS obligations as well as a number of additional provisions that enhance the standards of the TRIPS Agreement. IFAC-3, however, hastens, to add that there are additional patent-related enhancements and clarifications not found in the Singapore FTA that, were they to be included in future FTAs, would provide more effective and certain protection for U.S. right holders in those partner countries.

For example, provisions were not included in the Singapore FTA to deal with problems that U.S. industry faces in getting patents issued in many countries. In some countries, political interference by the health ministry has held up patent grants for pharmaceutical products. In other countries, administrative delays and backlogs are the primary reason for delays in granting patents. Future FTAs should require FTA partners to grant patents, within a fixed period, directed to the same invention of a U.S. or other previously examined patent, upon the request by the patent owner. The United States should also take the opportunity of future FTA negotiations to clarify that no disclosure requirements beyond those 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. Future FTAs also should include provisions that will provide for the grant of pipeline protection, especially in FTA candidate countries that currently do not provide patent protection for pharmaceutical products. Finally, the United States should include an obligation on countries engaged in FTA negotiations to prevent the loss of rights due to actions taken by the negotiating partner prior to the conclusion of the FTA negotiations that permit third parties to enter the market in advance of the entry into force of new obligations contained in the FTA.

IFAC-3 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 of patent protection found in the United

States, provides an appropriate level of incentives for these goals. IFAC-3 believes that it should be the U.S. objective in the FTA negotiations to ensure that our negotiating partners adopt a level of patent protection found in the United States, as called for in the Trade Promotion Authority passed last year by Congress. 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. IFAC-3 believes that it should be the objective of U.S. negotiators in the FTA to ensure a similar level of protection in FTA partners as in the United States. It is in light of these objectives that IFAC-3 provides its comments on the provisions relating to patents and to measures related to certain regulated products.

The patent section clarifies and improves on the standards contained in the TRIPS Agreement. Once implemented, these improved standards will raise the level of protection afforded to new technology in Singapore. These additional protections are most welcome.

Certain of the obligations establish strong new precedents for the global standards applicable to patents. For example, Singapore, as a member of the Patent Cooperation Treaty since 1995, has delivered benefits to patent applicants by adhering to this well-accepted international application regime. Incorporating PCT adherence as a mandatory obligation of U.S. FTAs will extend the procedural benefits of this treaty to patent applicants seeking to obtain protection on a global basis.

IFAC-3 notes with satisfaction that the Singapore FTA requires Singapore to grant patents on plants and animals. This obligation reinforces the standards that exist today in Singapore and validates the importance of extending, without exclusion, broad patent eligibility for biotechnology products. The FTA, however, continues to permit Singapore 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 1607.1)

IFAC-3 is also pleased to see that provisions were included in the FTA to enhance the ability of patent owners to prohibit international exhaustion of patent rights. IFAC-3 believes that it is critical that the FTAs include provisions that restrict the authority of countries to provide for international exhaustion of patent rights, including, as was done in the Singapore agreement, by protecting the right of the patent owner to prevent the unauthorized importation of goods subject to the patent put on another market by the patent owner or its agent. The Singapore agreement does so by providing a right of action to enforce contractual provisions that are violated outside the territory of each Party. IFAC-3 notes that the underlying right being protected is implicitly acknowledged to be the right of the patent owner to exercise its exclusive right to prohibit importation of products subject to the patent. Future agreements should explicitly provide this understanding. (Article 1607.2)

The Singapore FTA appropriately restricts the grounds for the revocation of a patent to those limited to the patentability of the invention or that pertain to the insufficiency of or unauthorized amendments to the patent specification, non-disclosure or misrepresentation of prescribed material particulars, fraud and misrepresentation. It also prohibits third party opposition to the grant of patents prior to the issuance of the patent. IFAC-3 expects that, comparable to U.S. practice, only those acts that are material to the patentability of the invention can give rise to the sanction of unenforceability of the patent. (Article 1607.4)

The Singapore FTA places restrictions 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) by limiting its use specifically to purposes related to meeting marketing approval requirements, and if export of the generic pharmaceutical product is permitted, to permit such export only for purposes of meeting marketing approval requirements. In view of the additional provisions that require Singapore to restore the term of patent lost due to the time necessary to obtain initial marketing approval of a product, these restrictions generally reflect the standards found in U.S. law and practice. (Article 1607.5)

The Singapore FTA imposes restrictions on a country’s authority to grant compulsory licenses to situations that are needed to remedy anti-trust violations, national emergencies or other circumstances of extreme urgency, and for public non-commercial use. With respect to cases of public non-commercial use or in the case of a national emergency or other circumstances of extreme urgency, the FTA specifies that such unauthorized use is to be limited to use by the government or third parties authorized by the government; that the patent owner is provided with reasonable and entire compensation for such use and manufacture; and that Singapore shall not require the patent owner to transfer undisclosed information or technical “know how” related to the patented invention that had been subjected to the involuntary use authorization. While these limitations clarify a country’s authority to use compulsory licensing and are most welcome, IFAC-3 notes that the substance of these restrictions are already found in the TRIPS Agreement and the Paris Convention. (Article 1607.6)

The Singapore FTA recognizes 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. IFAC-3 expects that implementation of these provisions into the Singaporean patent regime will correspond to U.S. practices. (Articles 1607.7 and 1607.8)

While, as a general rule, the Singapore FTA contains higher standards of patent protection than does the Chile FTA, the latter requires Chile to treat public disclosures of an invention that occur within 12 months prior to the filing date of the application in Chile to be non-patent defeating. A similar provision is not found in the Singapore FTA. The formulation found in the Chile FTA requires the pre-filing disclosure of the invention to have emanated in some form from the patent application, which, the IFAC-3 notes, is a slightly narrower authority than U.S. law.

IFAC-3 believes that it is critical that future FTAs include, at a minimum, all of the additional patent protections found in the Singapore FTA as well as provisions such as the twelve-month grace period.

Measures Related to Certain Regulated Products;

The provisions of the Singapore FTA clarify the obligations contained in the TRIPS Article 39.3 with respect to data exclusivity and provide for additional protection with respect to pharmaceutical products subject to a patent.

To give effect to the data exclusivity obligations of Article 39.3 of TRIPS, the Singapore FTA imposes an obligation of “non-reliance” on either the pioneer approval or the pioneer data package itself for a period of at least five years from the date of approval for a pharmaceutical product and ten years from the date of approval for an agricultural chemical product. IFAC-3 also notes that the Singapore FTA explicitly provides protection in cases where regulatory approval is conditioned on the filing of a certificate of free sale from another market. In such cases, the FTA requires Singapore to defer the date of any marketing approval to third parties not having the consent of the party providing the information in the other country for a period of at least five years from the date of approval for a pharmaceutical product and ten years from the date of approval for an agricultural chemical product in Singapore or in the other country, whichever is later. (Articles 1608.1 and 1608.2)

In addition, the Singapore FTA explicitly restricts Singapore from terminating the data protection period with the expiration of the underlying patent. (Article 1608.3)

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

The Singapore FTA also imposes a second set of obligations that prohibit generic drug approvals during the term of the patent covering the pharmaceutical product (i.e., “linkage”); and provides patent term restoration for the unreasonable curtailment of the patent term as a result of the marketing approval process and for the mandatory disclosure of the identity of the generic applicant that seeks marketing approval during the patent term. (Article 1608.4)

IFAC-3 welcomes these provisions with respect to certain regulated products contained in the Singapore FTA and urges that they be retained in all future FTAs.

Enforcement

IFAC-3 wishes to underline the importance that it attaches to the effective enforcement of the fully panoply of intellectual property rights afforded in this agreement, which build upon the existing enforcement obligations in the TRIPS agreement. The updated levels of protection afforded in this agreement will be of little value to U.S. companies without

the capability and willingness of the Singapore government – 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 Singapore economy and other economies in question.

Today, seven years after the WTO TRIPS agreement, and its enforcement obligations, became effective in the developed world and three 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 IFAC-3 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.

IFAC-3 notes that this task was particularly challenging since governments, including our own government, 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 this goal, but again 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) and some areas where needed improvements were not achieved include:

General Obligations on Enforcement

- These general provisions clarify and expand, for the most part, existing TRIPS obligations;
- Article 1609.3, for example, requires both Parties to publicize their enforcement efforts including making available enforcement statistics that a

country might keep. This permits industry to evaluate performance and educate the public about the importance of intellectual property rights, and the risks attendant upon their infringement. Industry prefers that the FTA include an obligation to keep comprehensive statistics;

- Article 1609.4 clarifies an existing TRIPS obligation that decisions by a country on how to distribute enforcement resources among different areas, including intellectual property enforcement does not excuse a country from meeting its “deterrence” and related obligations under the agreement;
- Article 1609.6 is a very significant advance for the copyright industries. 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. A side letter to the agreement spells out in detail how these presumptions will operate in practice in Singapore. Implementation of this Article in Singapore and its acceptance in principle in other countries with which we are negotiating FTAs will make a major difference for these industries. We commend the negotiators for this advance.

Civil and Administrative Procedures and Remedies

- Article 1609.8 clarifies and expands upon TRIPS obligations, making clear that civil damages, at least in the area of copyright piracy and trademark counterfeiting, must actually compensate the right holder for the damages suffered, including payment of the infringer’s profits. Most important, it requires the courts to “consider” the suggested retail price of the legitimate product being infringed upon as a measure of the loss to the right holder. Industry prefers that damages “be based upon” this measure.
- Article 1609.9, “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 for Singapore. The difficulty of proving “actual” damages in a piracy or counterfeiting case is well known; the U.S. has long had a statutory damages regime. It is a major goal of industry to see an effective statutory damages regime established in every country. The text is particularly good because it also requires that such damages be “sufficiently high to constitute a deterrent to further infringements.” It is this reference to the deterrence standard that is one of the key elements of an effective enforcement system and IFAC-3 welcomes its inclusion in the Singapore FTA.
- Articles 1609.10-13 elaborate on and make mandatory many discretionary remedies from the TRIPS agreement including payment of reasonable attorney’s fees to the prevailing party; making clear the right of judicial authorities to order the seizure of all suspected infringing goods, implements, other materials and documents used in the commission of the infringement;

making mandatory the destruction of infringing goods, except in exceptional circumstances; requiring destruction of implements used in the commission of an infringement even if the predominant use (TRIPS test) may have been for legitimate purposes; making mandatory that the removal of a trademark from infringing goods will never be sufficient to permit their release back into commerce; and, most important, mandating that the courts have the authority to order the infringer to identify 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.

Provisional Measures

- Article 1609.14 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.
- Article 1609.15 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); and 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).

Special Requirements Related to Border Measures

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

- Article 1609.18 requires that the competent authorities have the power to order the infringers to provide the right holder with information regarding the consignee, consignor and importer of infringing goods. TRIPS does not require that the competent authorities have this power and this is a welcome addition;
- 1609.19 streamlines the border enforcement measures and clarifies border enforcement powers. First, the Parties must provide for enforcement at the border without any formal complaint filing requirements. Second, the competent authorities must have the authority to initiate actions *ex officio* relating to suspect shipments being imported, exported or consigned to a local party. Thus, this Article expands the requirement to provide protection at the border beyond just imports. In addition, this Article requires enforcement actions against transshipped infringing goods that are not consigned to a local party;
- Article 1609.20 outlines the treatment and disposition of pirate and counterfeit goods found by the authorities at the border. Unlike TRIPS, the Singapore 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.

Criminal Procedures and Remedies

- Article 1609.21 again builds on the TRIPS provisions in this area (for the copyright and trademark industries, criminal remedies and strict border measures are key to reducing losses globally);
- The critical concept of piracy or counterfeiting “on a commercial scale” is clarified to clearly 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 poster was not charging the downloader/viewer/listener, posting software, movies, music or other valuable works on the Internet for download or viewing/listening causes great damage to those right holders and should be covered. The text in Article 1609.21(a) includes this concept (as does the NET Act in the U.S.). Industry prefers to have more precision than is carried by the words “significant willful infringements” in this no-profit motive situation, so it will be important to ensure that the threshold adopted by Singapore is low. In addition, this formulation clarifies what is already a TRIPS requirement that making

unauthorized copies of software in a corporate context must also be subject to criminal remedies, since it is on a “commercial scale;”

- Article 1609.21(b) 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 but the language on actual imposition of penalties is limited to Executive “encouragement” that deterrent fines be imposed. Industry prefers to see countries adopt sentencing guidelines that are tailored to ensure deterrence. Industry is pleased that language appears in this text that requires the two governments to, at least, have a “policy to remove the monetary incentive to the infringer;”
- Article 1609.21(c) deals with an endemic problem of the seizure by authorities of only product named in a search order even though other clearly infringing products are at the search site. The language agreed upon is still somewhat limited (the infringing goods that can be seized must “fall within the scope of such order” but this is clarified to require seizure of all product within the “general categories” in the search order). Search orders in many countries are written too narrowly and it is still not clear 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;
- Article 1609.21(d) expands on TRIPS and requires destruction of counterfeit and pirated goods, except in exceptional cases, and with respect to copyright piracy, any implements or other materials used in accomplishing the infringement. This is to be commended. However, in view of the magnitude of product counterfeiting, industry prefers that the destruction of materials and implements be extended to those used for production of counterfeit trademarked products;
- Article 1609.21(e)(i) is a key advance, requiring criminal 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 1609.21(e)(ii) responds to a particular problem faced by right holders in Singapore, namely the reluctance of the authorities to take action *ex officio* and insisting that right holders use a “fiat” system whereby the criminal prosecution is conducted and paid for by the right holder. The use of such a “fiat” system often results in lower penalties and less deterrence and, of course, great expense to right holders for what should be a public responsibility of the government. The provision in the agreement provides that such “fiat” prosecution shall not be the “primary means” to ensure effective enforcement. A side letter outlines improvements in the “fiat” system, which is not being eliminated. While not ideal, industry awaits how this Article and side letter will be implemented by Singapore.

Limitations on Liability of Service Providers

- Article 1609.22 was a critical provision in this negotiation since Singapore had in place in its current law an unacceptably broad exemption for the liability of service providers that are involved in the hosting and transmission of infringing material over their facilities. Given Singapore's size and location, most Internet sites transmitting infringing material will be outside the jurisdiction of Singapore law and thus it is critical to have local ISPs cooperate with right holders to expeditiously take down infringing material originating beyond the reach of Singapore law. The result of the negotiation is an excellent set of provisions that track very closely the provisions found in Section 512 of the DMCA. We commend the negotiators for this result and believe that it should be replicated in other FTAs, if U.S. protected material is to find its way safely into global e-commerce to the great benefit of the U.S. economy and to U.S. jobs. The only concern is to ensure that, in implementing the "limitations" on liability provided in the agreement, Singapore also ensures that it has in place a system of liability of ISPs in the first place, which is the key to ensuring the cooperation that is essential to making the Internet safe for the transmission of protected copyright products.

Regulation of Optical Disc Manufacturing Facilities

- In a side letter to the agreement, the U.S. negotiators obtained agreement from Singapore to put into place a system for regulating the manufacture of optical disc products. The pirate manufacture of optical disc products causes the greatest damage today to the U.S. copyright industries globally and particularly in Asia. It is critical that the key elements of such a regulatory system be in place in Singapore, as it is in many other countries in the region such as Hong Kong and Malaysia. Some countries are resisting this important enforcement advance and Singapore's leadership, by adopting these requirements, is to be commended.

Transitional Provisions

- Article 1610 establishes the effective dates for the various provisions of the agreement. In general, this date is one year after "entry into force." This includes ratification and accession to the Brussels Satellite Convention, the PCT and the WIPO Treaties and giving effect to the provisions of the copyright and related rights provisions (other than extension of term). However, there are a number of critical exceptions:
 - a. Singapore must ratify UPOV and implement term extension in the copyright area within six months of entry into force but no later than December 31, 2004;
 - b. It must implement the provision with respect to trademarks and geographical indications, domain names on the Internet, satellite signals, patents, measures related to certain regulated products and enforcement with six months of entry into force of the agreement.

- The meaning and effect of Articles 1610.2 and 1610.3 are unclear. IFAC-3 hopes that they can be clarified before the agreement is signed.

VII. Membership of the IFAC-3 Committee

Eric H. Smith
President
International Intellectual Property
Alliance
Chairman

Jacques J. Gorlin
President
The Gorlin Group
Vice-Chairman

Hope H. Camp
Law Offices of Hope H. Camp
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Morton David Goldberg
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Dr. Joseph A. Imler
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