



May 4, 2004

(one numerical error corrected on May 6, 2004)

Marilyn R. Abbott  
Secretary to the Commission  
United States International Trade Commission  
500 E Street SW  
Washington, DC 20436

Investigation No. TA-2104-13

Re: Post-Hearing Brief on the Free Trade  
Agreement with Central America (Costa Rica,  
El Salvador, Guatemala, Honduras, Nicaragua)  
and the Dominican Republic  
69 Fed. Reg. 13582 (March 23, 2004)

Dear Madam Secretary:

The International Intellectual Property Alliance (IIPA) is pleased to have this opportunity to provide our post-hearing brief after our April 27 appearance before the ITC.

**Additional Country Information on Copyright Law and Enforcement**

Our pre-hearing brief provided a general regional overview of the piracy problems in this region which are experienced by our five industry sectors. Chairman Okun requested copies of the three IIPA country reports which were cited in IIPA's pre-hearing brief (page 5) and are available on the IIPA website ([www.iipa.com](http://www.iipa.com)). This supplemental information appears below and in the attachments to this letter.

**Dominican Republic:** IIPA's February 2004 Special 301 report is attached. At the hearing, I provided additional examples to two particular pending problems in the Dominican Republic, both of which are identified in the DR FTA Side Letter on IPR Enforcement and the Broadcast Annex. First, I presented anecdotal examples of recent broadcast piracy incidents. Since the March 15 conclusion of the DR-FTA negotiations, several incidences of blatant broadcast TV piracy have been reported. For example, Telemicro (one of the stations subject to an ongoing criminal prosecution) has broadcast, without authorization, in the past month, usually in the late night hours, America films such as "Charlie's Angels II: Full Throttle," "X2: X-men United," "Italian Job," "Bruce Almighty" and "Harry Potter and the Chamber of Secrets." Other stations have show "The Lord of the Rings: The Two Towers" and "2Fast and 2Furious." Second, I reiterated the problems with the slow judicial process, and pointed out our pre-hearing brief statistics in recording industry cases. As of April 2004, 98 criminal cases for copyright infringement of sound recordings brought were still pending trial. Since 1999, the RIAA has been successful in obtaining only 18 prosecutions, including prison sentences, court fines and restitution in the amount of some US\$83,000. All these adjudicated cases are on appeal, and no review dates have been scheduled by the Court of Appeals.

The U.S. government must closely evaluate how the Dominican Republic implements its obligations under the DR-FTA IPR Side Letter on Enforcement and the Broadcast Annex which include commitments for its to undertake immediately to address the problems of broadcast piracy and slow criminal copyright adjudication in its courts. The Dominican Republic presently remains subject to an ongoing a GSP/CBI IPR investigation, and appears on USTR's Special 301 "Watch List." The government has taken steps to complete its ratification of the two WIPO internet treaties (the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty) but deposit with WIPO in Geneva has not yet been formally achieved.

**Costa Rica:** IIPA's February 2004 and 2003 Special 301 reports are attached. Basically, ineffective criminal copyright enforcement is the predominant problem in Costa Rica. Prosecutorial and judicial delays and the lack of specialized investigators in copyright cases present particular problems. On the legislative front, Costa Rica amended its copyright law at the end of 1999 in order to implement its WTO TRIPS obligations and to partially implement the two WIPO internet treaties (it has ratified both these treaties). Later, Costa Rica passed intellectual property legislation in October 2000 (over the objection of the copyright industries) which amended certain procedures and sanctions in intellectual property rights cases. Proposed amendments to improve criminal sanctions for copyright infringement and to enhance the enforcement infrastructure still remain pending. Costa Rica presently appears on USTR's Special 301 "Watch List."

**El Salvador:** IIPA's February 2002 Special 301 report is attached. Its current copyright law is its 1993 Copyright Law. In recent years, several local copyright industry groups had prepared draft amendments to amend the copyright law and the civil code to improve substantive provisions and enforcement remedies, but no progress in adopting such amendments has yet been made.

**Guatemala:** IIPA's detailed February 2004 Special 301 report is attached. In sum, the copyright industries continue to confront high piracy levels and inadequate copyright enforcement in Guatemala. Legislative reform in 2000 offered both positive steps forward and big steps backward. Amendments to the Guatemala copyright law entered into effect on November 1, 2000. On a positive note, the law reinstated "public" prosecution of copyright crimes; this issue had been at the top of the copyright industries' agenda for years. It also implemented certain requirements of the WIPO treaties. Unfortunately, the amendments also seriously weakened existing civil and criminal remedies; criminal penalties were substantially decreased, and the statutory damages provision was removed entirely. Sadly the copyright law amendments have done little to improve copyright enforcement in-practice in Guatemala. Prosecutors are overburdened and understaffed. The software industry reports that there is no effective way to maintain the confidentiality of a civil *ex parte* search petition, thus completely undercutting the usefulness of this TRIPS-required tool. Guatemala currently appears on USTR's Special 301 "Watch List."

**Honduras:** IIPA's February 1998 Special 301 report is attached. The ITC will see that Honduras was subject to a 5-year GSP IPR investigation in the mid-1990s which resulted in the imposition of \$5 million in sanctions (which were subsequently lifted). In 1997, the criminal code was amended to improve several enforcement procedures and remedies. On the legislative front, Honduras amended its 1993 Copyright Law in 2000 to address many of its TRIPS obligations and to partially implement its WIPO internet treaties' obligations (it has ratified both treaties). Since our 1998 public report, sadly there has been little improvement in the piracy situation or in anti-piracy enforcement in Honduras.

**Nicaragua:** IIPA's February 1999 Special 301 report is attached. Since that report, there has been little improvement in the piracy situation or in anti-piracy enforcement in Nicaragua. In 1999,

Nicaragua passed a new copyright law aimed at meeting the obligations under its bilateral IPR Agreement with the United States, and in so doing, attempted to satisfy many of its TRIPS obligations and partially implementing the two WIPO treaties. Like its Central American neighbors, Nicaragua has ratified these internet treaties.

**Supplemental piracy loss information**

Our pre-hearing brief indicated that IIPA and its members conservatively estimate that there was at least \$56 million in estimated annual trade losses due to piracy of U.S. copyrighted materials in these six countries in 2003. Since the hearing, our recording industry colleagues have been able to generate estimated trade losses and piracy levels in El Salvador, Honduras and Nicaragua (inserted below). This brings the estimated 2003 trade losses due to copyright piracy in these six countries up to **\$62.7 million**.

**2003 ESTIMATED TRADE LOSSES DUE TO COPYRIGHT PIRACY**  
*(in millions of U.S. dollars)*  
**AND ESTIMATED PIRACY LEVELS**  
**IN THE SIX CAFTA COUNTRIES**

Country	Motion Pictures		Records & Music		Business Applications <sup>1</sup>		Entertainment Software		Books	Estimated TOTAL LOSSES
	Loss	Piracy Level	Loss	Piracy Level	Loss	Piracy Level	Loss	Piracy Level	Loss	
<b>Costa Rica</b>	2.0	35%	7.2	56%	4.8	67%	NA	NA	NA	14.0
<b>Dominican Republic</b>	2.0	20%	9.9	65%	3.7	64%	NA	NA	1.0	16.6
<b>El Salvador</b>	2.0	30%	1.5	75%	4.0	68%	NA	NA	NA	7.5
<b>Guatemala</b>	2.0	60%	5.0	60%	10.6	61%	NA	NA	NA	17.6
<b>Honduras</b>	2.0	50%	1.0	99%	1.8	66%	NA	NA	NA	4.8
<b>Nicaragua</b>	NA	70%	1.0	99%	1.2	70%	NA	NA	NA	2.2

NA: Not Available

The methodology used by the IIPA member associations to calculate the above estimates is also attached to this letter.

**Other USG Sources**

At the ITC hearing, I quoted the recently issued report by USTR’s private sector advisory group on IPR (IFAC-3) on the poor track record on IPR enforcement in the Dominican Republic:

“Over the course of the last 20 years of engagement between the U.S. and the Dominican Republic on IPR matters, including law reform and enforcement, implementation of

<sup>1</sup> BSA estimates for 2003 are preliminary and will be finalized in mid-2004. They reflect losses to U.S. publishers only; they do differ from the BSA trade loss numbers which it releases in its global survey. The BSA global numbers reflect losses to (a) all software publishers in that country and (b) losses to distributors/retailers in that country. BSA’s latest report appears in it *Eighth Annual BSA Global Software Piracy Study* (2003), which is available at [www.bsa.org](http://www.bsa.org).

commitments made by that government and the recording of meeting its TRIPS and bilateral obligations has been less than satisfactory. It is the expectation of IFAC-3 that the U.S., through a thorough and aggressive monitoring mechanism over agreement compliance, will ensure that the Dominican Republic promptly and fully implements all the obligations of the DRFTA and the various side letters and notes.”

For the record, attached please find the IFAC-3’s public reports on both the CAFTA IPR Chapter (which was incorporated by reference in IIPA’s April 20, 2004 pre-hearing brief, see page 2, footnote 3) as well as the DRFTA IPR chapter.

### **Conclusion**

IIPA supports these FTAs; they contain high levels of copyright protection and enforcement will benefit U.S. industries and will continue to set precedents throughout the region. All six of these nations will have to make some amendments to their current substantive copyright laws to meet the CAFTA IPR chapter on copyright. But such amendments will not require major overhauls of their copyright laws; these countries already have partially implemented the WIPO internet treaties so it is clear they see the big-picture advantage of having high levels of copyright protection. More concerted work will be needed to amend/implement changes to their enforcement regimes (civil codes, criminal provisions, customs measures), and the CAFTA anticipated such challenges by allowing very generous transition periods. Finally, the true test will be the implementation of these legal changes in-practice by each country.

IIPA believes that one of the most immediate, economic problems in these six countries are their overall failure to adequately and effectively enforce their current copyright laws in-practice. These nations must continue to work to satisfy their existing bilateral IPR obligations during this time before FTA enactment. (IIPA’s September 30, 2003 submission to the Trade Policy Staff Committee on the CBERA/CBPTA was referenced in IIPA’s pre-hearing brief at page 2, footnote 4, and is attached hereto for ease of reference).

Please free to contact us if you have any additional questions.

Respectfully submitted,



Maria Strong  
Vice President and General Counsel  
International Intellectual Property Alliance

### Attachments:

Dominican Republic: IIPA [2004](#) 301 report (on IIPA website)  
Costa Rica: IIPA [2004](#) and [2003](#) 301 reports (on IIPA website)  
El Salvador: IIPA [2002](#) 301 report (on IIPA website)  
Guatemala: IIPA [2004](#) and 2003 301 reports (on IIPA website)  
Honduras: IIPA [1998](#) 301 report (on IIPA website)  
Nicaragua: IIPA [1999](#) 301 report (on IIPA website)  
IIPA Special 301 Piracy Losses/Levels [Methodology](#) from the 2004 301 Report (on IIPA website)  
[IFAC-3 Report on CAFTA IPR Chapter](#) (on USTR website)  
[IFAC-3 Report on DRFTA IPR Chapter](#) (on USTR website)  
IIPA September 30, 2003 [report on CBERA/CBTPA](#) to the TPSC (on IIPA website)