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**Annual “Special 301” Report Finds Continued Progress on
Strengthening Intellectual Property Protection, but Significant
Improvements Needed**

WASHINGTON - The Office of the U.S. Trade Representative today released its “Special 301” annual report on the adequacy and effectiveness of intellectual property rights (IPR) protection in trading partners around the world. The report found that although several countries have taken positive steps to improve their IPR regimes, the lack of IPR protection and enforcement continues to be a global problem. The report calls for certain governments to take stronger actions to combat commercial piracy and counterfeiting.

“Americans are the world’s leading innovators, and our ideas and intellectual property are a key ingredient to our competitiveness and prosperity. The United States places a high priority on effective intellectual property protection of American creativity,” said U.S. Trade Representative Robert B. Zoellick. “We are encouraged by the positive steps that several countries have taken to strengthen IPR protection over the past year. However, the need for significant improvement remains, particularly in the areas of implementation and enforcement. This report sends a message to governments on this year's list that it is important to exercise the political will necessary to effectively address IP-related concerns.”

“This report also reflects our commitment to promoting increased intellectual property protection through a variety of other mechanisms, such as implementation of TRIPS and the negotiations within our free trade agreements,” added Zoellick.

The report notes the improvements and progress that several countries have made in addressing IPR-related concerns identified in previous Special 301 Reports. For example, Poland and the Philippines have recently passed optical disc legislation that will help combat optical media piracy. Romania recently took a significant step in ensuring procurement of legitimate software for use by government ministries. Lebanon, Malaysia, Poland and Taiwan have begun to increase enforcement measures. A list of positive developments for IPR protection over the past year is attached to the report.

However, ineffective enforcement of intellectual property rights, commercial piracy - in particular the growing problem of pirate production of optical media such as CDs, DVDs and CD-ROMs, and counterfeiting of consumer products continue to be a global threat. Counterfeit products, from auto parts to medicines, harm the owner of the property right, and can also cause serious health and safety problems for consumers. Rampant piracy and lack of IPR enforcement continue to persist in Ukraine, Paraguay, Brazil, Russia, Kuwait, Pakistan and other trading partners. The United States also remains concerned over the lack of adequate protection for test data submitted by drug companies to health authorities in countries such as Israel and Turkey. The TRIPS Agreement requires that such data be protected against disclosure and unfair commercial use.

Addressing IPR enforcement problems in China is one of the Administration's top priorities. China recently made several commitments during the Joint Commission on Commerce and Trade (JCCT) meetings to take actions aimed at achieving a significant reduction in IPR infringement. This year's report announces an out-of-cycle review for China in early 2005 to evaluate China's implementation of its stated commitments and its overall progress on improving enforcement and significantly reducing IPR infringement.

In addition, this year's report notes the importance of understanding how the regulatory regimes in certain countries, along with their IP systems, affect innovation and R&D in innovative industries. Congress has directed the Administration to examine and prepare a report on regulatory practices, intellectual property laws and other measures in the pharmaceutical industry. This report, together with the ongoing analysis of global IP protection through the Special 301 process, should provide a better understanding of the impact that regulatory and IP regimes have on innovation and the development of the next generation of lifesaving drugs. The Special 301 Report takes its name from Section 301 of the Trade Act of 1974, as amended.

Background:

This year's Special 301 Report lists 52 countries or economies as Priority Foreign Countries, Priority Watch List (PWL), Watch List (WL) or Section 306 monitoring.

Priority Foreign Countries are those pursuing the most onerous or egregious policies that have the greatest adverse impact on U.S. right holders or products, and are subject to accelerated investigations and possible sanctions. Ukraine continues to be listed as a Priority Foreign Country.

Countries or economies on the PWL do not provide an adequate level of IPR protection or enforcement, or market access for persons relying on intellectual property protection. This year's report lists fifteen trading partners on the PWL. Priority Watch List countries or economies include Argentina, the Bahamas, Brazil, Egypt, EU, India, Indonesia, Korea, Kuwait, Lebanon, Pakistan, the Philippines, Russia, Taiwan, and Turkey.

Thirty-four trading partners are placed on the WL, meriting bilateral attention to address the underlying IPR problems. Watch List countries or economies include Azerbaijan,

Belarus, Belize, Bolivia, Bulgaria, Canada, Chile, Colombia, Costa Rica, Croatia, Dominican Republic, Ecuador, Guatemala, Hungary, Israel, Italy, Jamaica, Kazakhstan, Latvia, Lithuania, Malaysia, Mexico, Peru, Poland, Romania, Saudi Arabia, Slovak Republic, Tajikistan, Thailand, Turkmenistan, Uruguay, Uzbekistan, Venezuela, and Vietnam.

In addition to the fifty described above, China and Paraguay, due to their serious IP-related problems are subject to another part of the statute, Section 306 monitoring, because of previous bilateral agreements reached with the United States to address specific problems raised in earlier reports.

This year's Special 301 Report also announced the following five out-of-cycle reviews: Israel in the summer; Malaysia, Poland and Taiwan in the fall; and China in early 2005.

The Special 301 Report is available at www.ustr.gov

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