



SIPRE PROJECT

NATHAN ASSOCIATES INC.
ECONOMIC MANAGEMENT CONSULTANTS

STRENGTHENING INTELLECTUAL
PROPERTY RIGHTS IN EGYPT

مشروع تطوير حقوق
الملكية الفكرية في مصر

January 19, 1998

Dr, Francesca Nelson
Contracting Officer's Technical Representative
U.S. Agency for International Development
Cairo

Contracting Officer
U.S. Agency for International Development
Cairo

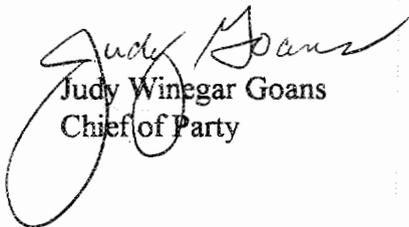
Subject: **USAID Contract No. 263-C-00-0050-00**

Ladies:

Attached for your review and approval is the SIPRE Project's Sixth Quarterly Report, covering the period October 1 through December 31, 1997, in compliance with Sections F.2 of the referenced contract. Since this quarter represents the midpoint of the Contract base period, the report has been expanded to provide a midterm review.

This represents Nathan Associates' official submission.

Sincerely,


Judy Winegar Goans
Chief of Party

Strengthening Intellectual Property Rights in Egypt Project
A USAID/Egypt-Funded Project
Ministry of Scientific Research and Ministry of Trade and Supply

QUARTERLY PERFORMANCE REPORT
AND MID-TERM REVIEW

Contractor: Nathan Associates Inc.

Contract #: 263-C-00-96-00050-00

Reporting Period: October 1 through December 31, 1997

Note: Since this quarter marks the midpoint of the project's base contract period, and there have been recent changes in USAID personnel responsible for the Project, this report contains an expanded discussion of the Project and compares progress to date with the Project's expected results.

Section I. CONTRACTOR'S REPORT

A. Narrative:

1. Contract Final Objective: The goal of the SIPRE Project is to improve the protection of intellectual property in Egypt in order to bring Egypt's intellectual property protection into line with GATT standards and create a more positive environment for investment and domestic innovation. Particular emphasis is given to improvement of the industrial property offices, providing support to non-governmental IPR bodies, and providing technical assistance to encourage the introduction of new laws and regulations. This activity contributes to the Sector Policy Reform II Program goal of promoting investment and the overall growth and development of Egypt's private sector. The assistance activity contemplated under this contract consist of (1) technical and commodity assistance in the organization and improvement of the intellectual property system, including assistance on the development, management and automation of the industrial property offices; (2) training in various aspects of intellectual property; and (3) legal assistance in preparing guidelines for the examination of industrial property and enforcement of industrial property rights, and support for necessary legal and regulatory changes.

Initially, a total of \$3,449,215 (cost-plus-fixed-fee) was provided for these tasks for the period 1 June 1996 through 31 May 1999. The contract was modified last quarter to add an additional \$349,198 (cost-plus-fixed-fee) for procurement, for a total of \$3,798,413. The first quarterly report covered the four-month "quarter" June 1 through September 30, 1996. The second quarterly report covered the period October 1 through December 31, 1996, and so forth. This report covers the sixth full quarter, October 1 through December 31, 1997.

2. Expected Results: At the conclusion of the contract, Egypt should provide stronger

protection for intellectual property. Specifically, Egypt should have better laws and procedures for the protection of intellectual property and stronger Patent, Trademark and Industrial Designs Offices. Some deliverables and expected results were modified in September.

Originally, the contract provided that, by its conclusion, the contractor should have conducted at least three major studies on how to strengthen the above offices and provided training to at least 50 participants. At this point, the SIPRE Project has conducted four major studies and provided English-language training to 83 persons, industrial property training (at least one course) to 80 persons, and computer training to 55 persons. While this training is far short of that which we believe is needed to help the industrial property offices function satisfactorily, we believe that we have met these contract requirements. Other expected results were that patents should be issued and trademarks registered more quickly, modern data bases should be created and in use, and at least five seminars will have been held on such topics as drafting of IPR laws and/or regulations, examination techniques, and IPR training for judges, prosecutors and court experts.

The September 1997 modification requires the contractor to procure specialized search and database management software and a data entry contract that will allow entry of bibliographic information of all registered trademarks and, where applicable, an image or logo, and to conduct a commodities needs assessment which covers software and data entry, procurement of specialized search and database management software. It also specifies that at least 40 participants will have received training primarily in the form of modern filing systems and techniques of information storage and retrieval, and automation. The Project has met this requirement, although more training is needed and will be provided.

The September modification also provided that progress indicators would be mutually determined by USAID and the contractor during preparation of the work plan, with illustrative examples to include the number of patents processed, trademarks registered more quickly, and modern IPR computer data bases created and in use. At least one or more machine-readable databases of all live trademark files would be established. This would include word marks, image files, and the industrial property agent registry. In addition, deliverables would include an application locator system for use in identifying the location of individual files within the Trademark Office and a search program in English that would permit examiners to search databases for exact and near matches of work marks.

3.a. Current core activities: The Project's core activities are divided into a framework of seven major tasks set forth in Section C of the Contract

- Prepare Annual Work Plans
- Preparation of Guidelines and IPR-Related Legal Advice/Assistance
- Modernization of Industrial Property Offices
- Procurement
- Training
- Organization and Management
- Public Advocacy

3.b. Current buy-ins: The SIPRE Project does not authorize or contemplate buy-ins and there are no delivery orders thereunder outstanding or contemplated.

3.c. Current subcontracting activities: As provided for in the Project Contract, the provision and payment of all local staff are employed under subcontract with Allied Corporation - Egypt, which also provides the Project with assistance such as communications and logistical services. The Project is drafting a request for proposals for a subcontractor to provide specialized database software and data entry of the Trademark office files.

4. Performance During the Quarter:

TASK 1 - Prepare Annual Work Plans

The Project is on schedule on this task. All work plans and quarterly reports that are due to date have been submitted and approved. In addition, this quarter has seen a number of developments that have a significant effect on planning for improvements.

1) Quarterly Report: The project's fifth quarterly report was submitted on time to USAID/Egypt on October 12 and approved on October 14, 1997.

2) Addendum to the Second Annual Procurement Plan: An addendum to the second annual procurement plan was submitted to USAID on December 8 and approved on December 9, 1997. The SIPRE contract was modified effective September 20, 1997 to increase the ceiling of the contract by \$349,198, of which \$334,000 represents additional procurement funds. The addendum to the procurement plan outlines the proposed disbursement of these procurement funds. The principle purpose is to enable the Project to automate certain records of the Trademark Office. The first priority will be for a subcontract to automate records of the Trademark Office. To the extent that some funds are not used for automation, the Project will purchase commodities for the modernization of the industrial property offices.

3) Court Case Concerning the Building: In late December, the Project was made aware of a court case involving the building in which SIPRE, the Trademark Office and Industrial Designs Office occupy space. The Project was given a copy of a court verdict and a letter concerning the case from the Director of the Supply Directorate, Mr. Mahmoud Mohamed Ashour. The letter indicated that the building must be vacated and returned to the original owners. The Project's liaison with the MOTS, General Isak Ashmawy, has assured us verbally that there is no problem and that the Trademark and Industrial Designs Offices will not move from the building. This has occurred just as the Project is implementing improvements in the industrial property offices. The COP notified USAID's legal counsel of these events and also sought independent legal advice. The Project also undertook an analysis of the likely impact on improvement plans in the event a move was required. Local counsel advised the Project that this matter is likely to be resolved in another six months. On advice of counsel, the Project did not plan to attend a hearing scheduled for January 1, 1998.

4) Management changes in the MOTS: A significant source of difficulty for the SIPRE Project was resolved late this quarter when the Minister of Trade and Supply announced the retirement of the Director of the Commercial Registration Authority, Mr. Mohamed Ibrihim, and appointed his replacement, Mr. Shawky Abd El Alim Abd El Azziz, three months in advance of

the scheduled February 15, 1998, retirement date. This move came as a surprise because it seemed likely that the incumbent would be retained and also because it is unusual to announce replacements more than a week in advance. The appointment of Trademark Office Director Mrs. Behiga Shoukry to serve as Director General was announced at the same time. This is a positive step for the Project. The retiring Director frequently delayed and hindered Project improvements, a matter of concern to USAID. The Directors of the Trademark and Industrial Design Offices report to Director of the Commercial Registration Authority. Even though the change of personnel is not scheduled to occur until February, the effect on the Project's ability to accomplish improvements was immediate.

TASK 2 - Preparation of Guidelines and IPR-Related Legal Advice/Assistance

The Project is on schedule on this task. The Project has conducted a legal analysis of the Trademark, Patent, and Industrial Designs laws for WTO-consistency and has prepared recommendations in all three areas. The SIPRE Project conducted a major study (a contract deliverable) of Egypt's industrial designs law; the report was submitted to USAID on September 30, 1997. Draft guidelines (another deliverable) have been submitted to the Patent Office for review, and the Project expects to submit draft guidelines and legislation within the next quarter for Trademarks and Industrial Designs. Because of the desirability of consolidating all legislative amendments, legislative recommendations are being held to incorporate changes related to proposed fee increases and organizational changes proposed under another task. The Project believes that the benefits of submitting all recommendations in a single package outweighs the benefit of submitting legislative recommendations earlier, as each item is developed

Assistance in this area falls into two major areas: 1) analyzing statutes for WTO-consistency and making recommendations for possible changes in the statutes, and 2) developing a body of law interpreting the statutes. The principal area in which Egypt's IP laws do not conform to WTO standards, and which is of most concern to the USG, is the failure to accord patent protection to all fields of technology. Specifically, Egypt's patent law excludes patent protection for chemical products for foods and pharmaceuticals. Eliminating this deficiency has been the subject of bilateral discussions and is incorporated in USAID's SPR objectives.

A second major deficiency of the current industrial property system is that it lacks a sufficient body of law interpreting its statute to guide those responsible for applying the statute. This results in uneven application of the laws. In a civil code-based system, such as Egypt, this omission cannot be remedied by the courts. A major focus of the SIPRE Project has therefore been to develop a substantive body of legal principles, or "guidelines," interpreting Egyptian law. Initially, the Project deferred the preparation of guidelines in those areas where Egypt's law is not WTO-consistent and concentrated its work on areas where guidelines could track current law. However, as the Project completes its legal analysis of the various statutes - patent, trademark, industrial designs - and develops draft legislation to remedy these deficiencies, it is proceeding to prepare draft guidelines to accompany those legislative proposals. We anticipate that the draft legislation and draft guidelines will be submitted to the GOE in a single package.

- 1) Develop Guidelines and Train Examiners on the Examination of Chemical and Pharmaceutical Patents:** The existing Egyptian Patent Law does not include substantive

examination for inventive step of applications in any field of technology or the examination and patenting of chemical products for foods and pharmaceuticals. The latter is a major area of non-WTO consistency. Egypt has indicated that it will take the full grace period, but in the meantime will accept pharmaceutical applications without processing them. The Project's emphasis is to undertake measures that will enable Egypt to comply with its international obligations as soon as possible. In order to make the Patent Office able to undertake this expanded responsibility, the Project engaged a chemical and pharmaceutical examination expert to develop guidelines of chemical and pharmaceutical patent applications, and to teach two courses, one on chemical practice and another on the examination of pharmaceutical patent applications to Egyptian examiners. The Chemical and Pharmaceutical Patent Examination Expert, Washington attorney Patricia Drost, came to Egypt in October. She wrote general guidelines for examination of patent applications and specific guidelines on the examination of chemical and pharmaceutical guidelines. These guidelines were submitted to the Patent Office for their comments and review this quarter. In addition, the patent expert taught two courses (see TASK 5 below).

2) SPR II

One indication of the importance that the US Government attaches to patent protection for pharmaceutical products is its inclusion in the SPR measures. In October, Dan Clune from the Office of the U.S. Trade Representative traveled to Cairo to consult on this issue. On October 9, the SIPRE COP and principal staff met with Mr. Clune, Dr. Francesca Nelson of USAID, Ms. Carole Kalin who handles the intellectual property portfolio for the American Embassy, and others, to brief Mr. Clune on the current framework and identify practical measures which could be taken with regard to Egypt's patent law.

3) Meeting with Representatives of the Pharmaceutical Industry

The lack of pharmaceutical patent protection is also of great concern to industry. On October 22, the COP and SIPRE's expatriate pharmaceutical patent expert met with representatives of Pharma, the U.S. pharmaceutical industry's trade association, and with representatives of the proprietary pharmaceutical industry in Egypt to discuss what the industry could do with regard to the current Egyptian law regarding patents for pharmaceutical products. This discussion developed a number of potential areas for action.

TASK 3 - Modernization of Industrial Property Offices

The Project is on schedule on this task. The Project's SOW originally only called for studies and recommendations, but the expected results included having data bases in use. The contract modification expanded the SOW to require that the Project provide software and a data entry contract for the Trademark Office. The Project had completed a major study (contract deliverable) on automation of the industrial property offices and is now working on the requirements for a software and data entry subcontract. The Project has also developed several data base programs.

The Project's principal efforts in modernization of the industrial property offices are to automate

the records of the Trademark and Industrial Designs Offices and to assist the Patent Office in maintaining and upgrading its automated records system. In the case of the Trademark Office, the automation effort is monumental: records are not organized in a way that would facilitate recording basic information, the staff have no experience or training on computers, the offices are not suitable to receive the equipment, and industrial property offices have specialized requirements for software. Modernization is therefore not simply a matter of purchasing computers and training staff: some method must be provided by which information can be taken from hand-written paper documents and placed into a suitable data base, in a suitable time frame, and within a limited budget.

1) Hardware. All computer equipment expected to be procured for the GOE was delivered this quarter (see TASK 4 below).

2) Patent Attorney Database: The SIPRE Project has developed a Patent Attorney Database for the industrial property offices. The database runs on Microsoft ACCESS software. It is designed for easy updating and sorting. Industrial Designs personnel are currently using the database and completing the data entry.

3) Industrial Designs Database: The SIPRE computer expert has created a database for the Industrial Designs Offices. This database includes the form which applicants use and automatically creates the industrial designs certificate based on application form information the applicant receives once his design has been accepted.

4) Trademark Data Entry: Some of the forms used for international applications were placed on the computer this quarter. Preparations were also made to begin the substantial task of inventorying local trademark files.

5) Subcontracting for Data Entry: The Project is working on the data entry RFP. A first draft was circulated within the company during this quarter.

TASK 4 - Procurement

The Project is on schedule on this task. The Project has acquired most items to be acquired under the Project's initial procurement budget, and the Project has made plans for the use of the additional funds provided in the contract modification.

1) Automation Equipment: During this quarter all computer equipment for the Trademark Office, Industrial Designs Office and Patent Office were received, and inspected. Among the items purchased for the Trademark and Industrial Designs Offices are: a Pentium Pro 200 Network Server with dual processors and 10x CD ROM drive, eight Pentium personal computers, one CD-ROM server, three printers, two tape drives, and network equipment.

Trademark and Industrial Designs computer equipment have been installed in the SIPRE Project Offices for training and testing. Industrial Designs employees have been working on these machines adding to the databases created by SIPRE personnel.

Equipment procured and delivered to the Patent Office include: a Pentium Pro 200 Network

Server with dual processors and 10x CD ROM drive, a RAID external disk array, a Pentium Pro 180 MHz PC, seven 133 MHz PCs, one CD-ROM Server, a tape drive, software and network equipment. Patent Office computers equipment was delivered to the Patent Office, but has not yet been unpacked and used by this office due to lack of space for computer equipment. The Project has repeatedly informed the Patent Office that they had insufficient space and has submitted a study regarding space requirements (see TASK 6 below).

2) Other Procurement: During this quarter, SIPRE Project acquired file cabinets, book cases, three more desks and side units for new staff members, a binding machine and uninterruptible power supplies (UPS) for the procured computer equipment.

TASK 5 - Training

The Project is on schedule on this task. SIPRE's contract initially required the contractor to provide training to at least 50 participants. This was expanded in September to require training for 40 participants primarily in the form of modern filing systems and techniques of information storage and retrieval, and automation. The SIPRE Project has met these requirements by providing English-language training to 83 persons, industrial property training (at least one course) to 80 persons, and computer training to 55 persons.

Ultimately, an intellectual property system is no better than the skills of the persons who operate it. The Project's major focus in this area is to assure that industrial property office employees have the skills needed to perform their duties properly and efficiently. This involves training in the English language, since many patent documents and many trademarks are in English; industrial property concepts; and computers and other modern office equipment. The Project's philosophy is to develop a corps of professional industrial property office employees who understand the importance of their work and possess the skills necessary to perform their duties accurately and efficiently. The Project is delivering general training to most if not all employees of the industrial property offices, more specialized training suitable to the duties of the staff, and more intensive training to a corps of individuals who would themselves become trainers, thus creating sustainable development. Industrial property training began in the trademark area, where the Project has developed a core curriculum.

1) Substantive Training in Industrial Property - Trademark Office: An additional sixteen employees of the Trademark Office completed the first segment of the SIPRE core curriculum "Definition of a Trademark" in this quarter, for a total of 56 persons (40 had completed the course in the previous two quarters). In addition, 10 persons have completed the second segment entitled "Format of a Mark" and 10 more have taken half of the lectures of the second segment. In the quarter, 148 person-courses were completed for Trademark personnel in industrial property. In addition, 22 persons, nearly the entire office, from the Industrial Designs Office were given training on Industrial Design Terms Arabic/English.

2) Substantive Training in Industrial Property - Patent Office: During his quarter, a Patent expert from the United States came to Egypt and conducted two courses for Egyptian Patent examiners. Twelve examiners and the Head of the Egyptian Patent Office attended a three day seminar course on the examination of chemical patent. The same examiners also participated in a three-day seminar on the examination of pharmaceutical patent for a total of 24 person/courses.

A total of 24 person courses were completed in the Patent office this quarter.

3) Computer Training: Computer training was begun in earnest this quarter with the delivery of the computer equipment. Twenty-five persons from the Patent Office have had a 30-hour course in Windows 95 and thirty-one employees of the Trademark and Industrial Designs Offices also took this 30-hour course at the IBM Training Center this quarter.

4) English-language Training: Twenty-seven persons attended the fourth English-language course given by the Armed Forces Language Institute this quarter and twenty-two of these passed their course. Seventeen IPO employees enrolled in the fifth Armed Forces Language Institute course this quarter.

In addition, twenty-three persons completed an intensive English-language program at American University sponsored by USAID's ELTT program.

5) Technical Seminar Series - Patent Office: The Project arranged for a technical seminar series to provide continuing education for patent examiners on emerging fields of science and engineering. Since patent examiners deal with state of the art technology, it is important that they maintain their technical skills in order to be able to understand the applications they must examine. As the Patent Office moves toward a full examination system, this will become even more important. The Project

TASK 6 - Organization and Management

The Project is on schedule on this task. The Project's major efforts in this area include recommendations on improving the funding of the industrial property offices, to assure that improvements are sustainable, and a plan for more efficient and effective design of the industrial property offices. While improvements in the physical space are important for morale, they also are closely related to other reform efforts that the Project is addressing.

1) Study on Organizational Strengthening of the Industrial Property Offices: A study to strengthen the organization of the IPOs was completed during the quarter. The objective of the study is to present recommendations for organizational reform of industrial property offices in order to achieve the goal of a financially self-sufficient intellectual property system in Egypt. Local organizational strengthening experts were contracted for this study, because of their understanding of the local laws, procedures, customs and language. The consultants gave a presentation of their recommendations to USAID. A report was submitted on December 31st.

2) Study on Space Needs of the Trademark and Industrial Designs Offices: A study of the space needs requirements of the Trademark and Industrial Designs Offices was submitted to USAID and the Ministry of Trade and Supply on October 28, 1997. This report provides proposed designs of these offices within the space constraints imposed by the Ministry. The designs consolidates the offices onto single floors with a public service center on the ground floor to serve both offices. It provides for private space for employees, space to accommodate modern equipment, and proposed improvements for the storage and retrieval of files and indexes.

Presentations were made to officials of the Ministry of Trade and Supply and Minister Goweilly personally approved the plans after viewing the color architectural drawings. Immediately after receiving the Minister's approval, (on December 11th) the Trademark and Industrial Designs Offices began moving into the space proposed for them in the SIPRE Space Needs Study. By December 31st, all Trademark and Industrial Design staff, except those on the ground floor, were located on their proposed floors (second and third of the Commercial Registry Building). Some files were moved temporarily into SIPRE Office space (fourth floor) in order to empty some rooms to begin construction. It is expected that space improvements will begin early in the next quarter.

3) Study on the Space Needs Requirements of the Patent Office: A draft of the space needs of the Patent Office was completed in Arabic and submitted to USAID on December 31. Officials of the Ministry of Scientific Research and the Patent Office were presented with the plan and with originally four different proposals which was expanded to six different space proposals based on their comments.

The report is currently being translated into English and will be submitted in English to USAID in January.

TASK 7 - Public Advocacy

The Project is on schedule on this task. This activity is to create a positive environment for an improved intellectual property system. The Project's major activities to date have focused on presentations to users of the intellectual property system, chiefly bar and industry groups, although some general audience activities have been included. Future activities may target a broader audience.

1) International Industrial Property Conference: During this quarter, the Chief of Party spoke at a session at an international intellectual property conference (AEPPI, the Egyptian affiliate of AIPPI) held in Cairo in October. The COP's presentation included photographs of items seized by the Ministry of Trade and Supply for violations of intellectual property laws. These photographs were well-received and are now hanging on SIPRE Project walls at the request of our liaison.

2) Egyptian Intellectual Property Meeting: The COP gave a presentation on the SIPRE Project to the AEPPI. The purpose of the special AEPPI meeting was to outline the progress of the Project and the expected changes in the Egyptian industrial property offices. This organization constitutes the most vocal advocates for intellectual property reform in Egypt.

3) SIPRE Website: The SIPRE Project has designed a webpage which include information about the Project and the IPR Offices. The Project is procuring website hosting services and expects the website to be open in the next quarter.

4) SIPRE Bulletin Board: Also during this quarter, the Project placed a bulletin board in the entrance of the Commercial Registry Building as a means to communicate actual and planned improvements to employees and the public and to generate and maintain enthusiasm for the

improvements. The first items on the bulletin board included lists of employees who had completed various training programs.

b. N/A

c. Subcontracting activities are on target. An additional subcontract is expected within the next quarter.

5. Statement of Work: The SIPRE contract was amended effective September 9 to add \$349,198 to the contract. These are primarily procurement funds for the purpose of specialized software and a data entry contract for the Trademark Office. The Project believes that one minor modification may be needed to the SOW with regard to specifications for the software and data bases to be procured. If needed, this matter will be worked out during the course of obtaining approval for the software and data entry subcontract.

B. Administrative Information:

Contract data:

Total estimated cost: \$ 3,449,215.00

Expenditures (last three months): \$ 605,579

Cumulative expenditures to date: \$ 1,415,307

Remaining unexpended balance: \$ 2,383,106

Financial information by task is set forth in the quarterly financial report attached hereto.

Section II. PROJECT OFFICER'S COMMENTS

Project Officer/Office Symbol Dredson Date: 5/26/18

Section III. CONTRACT OFFICER'S COMMENTS

Contract Officer/Office Symbol _____ Date: _____

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the scheduled February 15, 1998, retirement date. This move came as a surprise because it seemed likely that the incumbent would be retained and also because it is unusual to announce replacements more than a week in advance. The appointment of Trademark Office Director Mrs. Behiga Shoukry to serve as Director General was announced at the same time. This is a positive step for the Project. The retiring Director frequently delayed and hindered Project improvements, a matter of concern to USAID. The Directors of the Trademark and Industrial Design Offices report to Director of the Commercial Registration Authority. Even though the change of personnel is not scheduled to occur until February, the effect on the Project's ability to accomplish improvements was immediate.

TASK 2 - Preparation of Guidelines and IPR-Related Legal Advice/Assistance

The Project is on schedule on this task. The Project has conducted a legal analysis of the Trademark, Patent, and Industrial Designs laws for WTO-consistency and has prepared recommendations in all three areas. The SIPRE Project conducted a major study (a contract deliverable) of Egypt's industrial designs law; the report was submitted to USAID on September 30, 1997. Draft guidelines (another deliverable) have been submitted to the Patent Office for review, and the Project expects to submit draft guidelines and legislation within the next quarter for Trademarks and Industrial Designs. Because of the desirability of consolidating all legislative amendments, legislative recommendations are being held to incorporate changes related to proposed fee increases and organizational changes proposed under another task. The Project believes that the benefits of submitting all recommendations in a single package outweighs the benefit of submitting legislative recommendations earlier, as each item is developed

Assistance in this area falls into two major areas: 1) analyzing statutes for WTO-consistency and making recommendations for possible changes in the statutes, and 2) developing a body of law interpreting the statutes. The principal area in which Egypt's IP laws do not conform to WTO standards, and which is of most concern to the USG, is the failure to accord patent protection to all fields of technology. Specifically, Egypt's patent law excludes patent protection for chemical products for foods and pharmaceuticals. Eliminating this deficiency has been the subject of bilateral discussions and is incorporated in USAID's SPR objectives.

A second major deficiency of the current industrial property system is that it lacks a sufficient body of law interpreting its statute to guide those responsible for applying the statute. This results in uneven application of the laws. In a civil code-based system, such as Egypt, this omission cannot be remedied by the courts. A major focus of the SIPRE Project has therefore been to develop a substantive body of legal principles, or "guidelines," interpreting Egyptian law. Initially, the Project deferred the preparation of guidelines in those areas where Egypt's law is not WTO-consistent and concentrated its work on areas where guidelines could track current law. However, as the Project completes its legal analysis of the various statutes - patent, trademark, industrial designs - and develops draft legislation to remedy these deficiencies, it is proceeding to prepare draft guidelines to accompany those legislative proposals. We anticipate that the draft legislation and draft guidelines will be submitted to the GOE in a single package.

- 1) Develop Guidelines and Train Examiners on the Examination of Chemical and Pharmaceutical Patents:** The existing Egyptian Patent Law does not include substantive

examination for inventive step of applications in any field of technology or the examination and patenting of chemical products for foods and pharmaceuticals. The latter is a major area of non-WTO consistency. Egypt has indicated that it will take the full grace period, but in the meantime will accept pharmaceutical applications without processing them. The Project's emphasis is to undertake measures that will enable Egypt to comply with its international obligations as soon as possible. In order to make the Patent Office able to undertake this expanded responsibility, the Project engaged a chemical and pharmaceutical examination expert to develop guidelines of chemical and pharmaceutical patent applications, and to teach two courses, one on chemical practice and another on the examination of pharmaceutical patent applications to Egyptian examiners. The Chemical and Pharmaceutical Patent Examination Expert, Washington attorney Patricia Drost, came to Egypt in October. She wrote general guidelines for examination of patent applications and specific guidelines on the examination of chemical and pharmaceutical guidelines. These guidelines were submitted to the Patent Office for their comments and review this quarter.

In addition, the patent expert taught two courses (see TASK 5 below).

2) SPR II

One indication of the importance that the US Government attaches to patent protection for pharmaceutical products is its inclusion in the SPR measures. In October, Dan Clune from the Office of the U.S. Trade Representative traveled to Cairo to consult on this issue. On October 9, the SIPRE COP and principal staff met with Mr. Clune, Dr. Francesca Nelson of USAID, Ms. Carole Kalin who handles the intellectual property portfolio for the American Embassy, and others, to brief Mr. Clune on the current framework and identify practical measures which could be taken with regard to Egypt's patent law.

3) Meeting with Representatives of the Pharmaceutical Industry

The lack of pharmaceutical patent protection is also of great concern to industry. On October 22, the COP and SIPRE's expatriate pharmaceutical patent expert met with representatives of Pharma, the U.S. pharmaceutical industry's trade association, and with representatives of the proprietary pharmaceutical industry in Egypt to discuss what the industry could do with regard to the current Egyptian law regarding patents for pharmaceutical products. This discussion developed a number of potential areas for action.

TASK 3 - Modernization of Industrial Property Offices

The Project is on schedule on this task. The Project's SOW originally only called for studies and recommendations, but the expected results included having data bases in use. The contract modification expanded the SOW to require that the Project provide software and a data entry contract for the Trademark Office. The Project had completed a major study (contract deliverable) on automation of the industrial property offices and is now working on the requirements for a software and data entry subcontract. The Project has also developed several data base programs.

The Project's principal efforts in modernization of the industrial property offices are to automate

the records of the Trademark and Industrial Designs Offices and to assist the Patent Office in maintaining and upgrading its automated records system. In the case of the Trademark Office, the automation effort is monumental: records are not organized in a way that would facilitate recording basic information, the staff have no experience or training on computers, the offices are not suitable to receive the equipment, and industrial property offices have specialized requirements for software. Modernization is therefore not simply a matter of purchasing computers and training staff: some method must be provided by which information can be taken from hand-written paper documents and placed into a suitable data base, in a suitable time frame, and within a limited budget.

1) Hardware. All computer equipment expected to be procured for the GOE was delivered this quarter (see TASK 4 below).

2) Patent Attorney Database: The SIPRE Project has developed a Patent Attorney Database for the industrial property offices. The database runs on Microsoft ACCESS software. It is designed for easy updating and sorting. Industrial Designs personnel are currently using the database and completing the data entry.

3) Industrial Designs Database: The SIPRE computer expert has created a database for the Industrial Designs Offices. This database includes the form which applicants use and automatically creates the industrial designs certificate based on application form information the applicant receives once his design has been accepted.

4) Trademark Data Entry: Some of the forms used for international applications were placed on the computer this quarter. Preparations were also made to begin the substantial task of inventorying local trademark files.

5) Subcontracting for Data Entry: The Project is working on the data entry RFP. A first draft was circulated within the company during this quarter.

TASK 4 - Procurement

The Project is on schedule on this task. The Project has acquired most items to be acquired under the Project's initial procurement budget, and the Project has made plans for the use of the additional funds provided in the contract modification.

1) Automation Equipment: During this quarter all computer equipment for the Trademark Office, Industrial Designs Office and Patent Office were received, and inspected. Among the items purchased for the Trademark and Industrial Designs Offices are: a Pentium Pro 200 Network Server with dual processors and 10x CD ROM drive, eight Pentium personal computers, one CD-ROM server, three printers, two tape drives, and network equipment.

Trademark and Industrial Designs computer equipment have been installed in the SIPRE Project Offices for training and testing. Industrial Designs employees have been working on these machines adding to the databases created by SIPRE personnel.

Equipment procured and delivered to the Patent Office include: a Pentium Pro 200 Network

Server with dual processors and 10x CD ROM drive, a RAID external disk array, a Pentium Pro 180 MHz PC, seven 133 MHz PCs, one CD-ROM Server, a tape drive, software and network equipment. Patent Office computers equipment was delivered to the Patent Office, but has not yet been unpacked and used by this office due to lack of space for computer equipment. The Project has repeatedly informed the Patent Office that they had insufficient space and has submitted a study regarding space requirements (see TASK 6 below).

2) Other Procurement: During this quarter, SIPRE Project acquired file cabinets, book cases, three more desks and side units for new staff members, a binding machine and uninterruptible power supplies (UPS) for the procured computer equipment.

TASK 5 - Training

The Project is on schedule on this task. SIPRE's contract initially required the contractor to provide training to at least 50 participants. This was expanded in September to require training for 40 participants primarily in the form of modern filing systems and techniques of information storage and retrieval, and automation. The SIPRE Project has met these requirements by providing English-language training to 83 persons, industrial property training (at least one course) to 80 persons, and computer training to 55 persons.

Ultimately, an intellectual property system is no better than the skills of the persons who operate it. The Project's major focus in this area is to assure that industrial property office employees have the skills needed to perform their duties properly and efficiently. This involves training in the English language, since many patent documents and many trademarks are in English; industrial property concepts; and computers and other modern office equipment. The Project's philosophy is to develop a corps of professional industrial property office employees who understand the importance of their work and possess the skills necessary to perform their duties accurately and efficiently. The Project is delivering general training to most if not all employees of the industrial property offices, more specialized training suitable to the duties of the staff, and more intensive training to a corps of individuals who would themselves become trainers, thus creating sustainable development. Industrial property training began in the trademark area, where the Project has developed a core curriculum.

1) Substantive Training in Industrial Property - Trademark Office: An additional sixteen employees of the Trademark Office completed the first segment of the SIPRE core curriculum "Definition of a Trademark" in this quarter, for a total of 56 persons (40 had completed the course in the previous two quarters). In addition, 10 persons have completed the second segment entitled "Format of a Mark" and 10 more have taken half of the lectures of the second segment. In the quarter, 148 person-courses were completed for Trademark personnel in industrial property. In addition, 22 persons, nearly the entire office, from the Industrial Designs Office were given training on Industrial Design Terms Arabic/English.

2) Substantive Training in Industrial Property - Patent Office: During his quarter, a Patent expert from the United States came to Egypt and conducted two courses for Egyptian Patent examiners. Twelve examiners and the Head of the Egyptian Patent Office attended a three day seminar course on the examination of chemical patent. The same examiners also participated in a three-day seminar on the examination of pharmaceutical patent for a total of 24 person/courses.

A total of 24 person courses were completed in the Patent office this quarter.

3) Computer Training: Computer training was begun in earnest this quarter with the delivery of the computer equipment. Twenty-five persons from the Patent Office have had a 30-hour course in Windows 95 and thirty-one employees of the Trademark and Industrial Designs Offices also took this 30-hour course at the IBM Training Center this quarter.

4) English-language Training: Twenty-seven persons attended the fourth English-language course given by the Armed Forces Language Institute this quarter and twenty-two of these passed their course. Seventeen IPO employees enrolled in the fifth Armed Forces Language Institute course this quarter.

In addition, twenty-three persons completed an intensive English-language program at American University sponsored by USAID's ELTT program.

5) Technical Seminar Series - Patent Office: The Project arranged for a technical seminar series to provide continuing education for patent examiners on emerging fields of science and engineering. Since patent examiners deal with state of the art technology, it is important that they maintain their technical skills in order to be able to understand the applications they must examine. As the Patent Office moves toward a full examination system, this will become even more important. The Project

TASK 6 - Organization and Management

The Project is on schedule on this task. The Project's major efforts in this area include recommendations on improving the funding of the industrial property offices, to assure that improvements are sustainable, and a plan for more efficient and effective design of the industrial property offices. While improvements in the physical space are important for morale, they also are closely related to other reform efforts that the Project is addressing.

1) Study on Organizational Strengthening of the Industrial Property Offices: A study to strengthen the organization of the IPOs was completed during the quarter. The objective of the study is to present recommendations for organizational reform of industrial property offices in order to achieve the goal of a financially self-sufficient intellectual property system in Egypt. Local organizational strengthening experts were contracted for this study, because of their understanding of the local laws, procedures, customs and language. The consultants gave a presentation of their recommendations to USAID. A report was submitted on December 31st.

2) Study on Space Needs of the Trademark and Industrial Designs Offices: A study of the space needs requirements of the Trademark and Industrial Designs Offices was submitted to USAID and the Ministry of Trade and Supply on October 28, 1997. This report provides proposed designs of these offices within the space constraints imposed by the Ministry. The designs consolidates the offices onto single floors with a public service center on the ground floor to serve both offices. It provides for private space for employees, space to accommodate modern equipment, and proposed improvements for the storage and retrieval of files and indexes.

Presentations were made to officials of the Ministry of Trade and Supply and Minister Goweilly personally approved the plans after viewing the color architectural drawings. Immediately after receiving the Minister's approval, (on December 11th) the Trademark and Industrial Designs Offices began moving into the space proposed for them in the SIPRE Space Needs Study. By December 31st, all Trademark and Industrial Design staff, except those on the ground floor, were located on their proposed floors (second and third of the Commercial Registry Building). Some files were moved temporarily into SIPRE Office space (fourth floor) in order to empty some rooms to begin construction. It is expected that space improvements will begin early in the next quarter.

3) Study on the Space Needs Requirements of the Patent Office: A draft of the space needs of the Patent Office was completed in Arabic and submitted to USAID on December 31. Officials of the Ministry of Scientific Research and the Patent Office were presented with the plan and with originally four different proposals which was expanded to six different space proposals based on their comments.

The report is currently being translated into English and will be submitted in English to USAID in January.

TASK 7 - Public Advocacy

The Project is on schedule on this task. This activity is to create a positive environment for an improved intellectual property system. The Project's major activities to date have focused on presentations to users of the intellectual property system, chiefly bar and industry groups, although some general audience activities have been included. Future activities may target a broader audience.

1) International Industrial Property Conference: During this quarter, the Chief of Party spoke at a session at an international intellectual property conference (AEPPI, the Egyptian affiliate of AIPPI) held in Cairo in October. The COP's presentation included photographs of items seized by the Ministry of Trade and Supply for violations of intellectual property laws. These photographs were well-received and are now hanging on SIPRE Project walls at the request of our liaison.

2) Egyptian Intellectual Property Meeting: The COP gave a presentation on the SIPRE Project to the AEPPI. The purpose of the special AEPPI meeting was to outline the progress of the Project and the expected changes in the Egyptian industrial property offices. This organization constitutes the most vocal advocates for intellectual property reform in Egypt.

3) SIPRE Website: The SIPRE Project has designed a webpage which include information about the Project and the IPR Offices. The Project is procuring website hosting services and expects the website to be open in the next quarter.

4) SIPRE Bulletin Board: Also during this quarter, the Project placed a bulletin board in the entrance of the Commercial Registry Building as a means to communicate actual and planned improvements to employees and the public and to generate and maintain enthusiasm for the

improvements. The first items on the bulletin board included lists of employees who had completed various training programs.

b. N/A

c. Subcontracting activities are on target. An additional subcontract is expected within the next quarter.

5. Statement of Work: The SIPRE contract was amended effective September 9 to add \$349,198 to the contract. These are primarily procurement funds for the purpose of specialized software and a data entry contract for the Trademark Office. The Project believes that one minor modification may be needed to the SOW with regard to specifications for the software and data bases to be procured. If needed, this matter will be worked out during the course of obtaining approval for the software and data entry subcontract.

B. Administrative Information:

Contract data:	
Total estimated cost:	\$ 3,449,215.00
Expenditures (last three months):	\$ 605,579
Cumulative expenditures to date:	\$ 1,415,307
Remaining unexpended balance:	\$ 2,383,106

Financial information by task is set forth in the quarterly financial report attached hereto.