

**Draft**  
**Subject to Legal Review for Accuracy, Clarity, and Consistency**  
**June 18, 2004**

**Side Letter on Optical Discs**

H.E. Abdulla Hassan Saif  
Minister of Finance and National Economy

Dear Minister Saif:

In connection with the signing on this date of the United States-Bahrain Free Trade Agreement (the "Agreement"), I have the honor to confirm the following understanding reached by the Governments of the United States and Bahrain regarding the Agreement:

Concerning the manufacture of optical discs, Bahrain agrees to give effect to the following:

- a. License:
  - (i) No person shall manufacture in Bahrain optical discs, including master discs or stampers used in the manufacture of discs, unless he holds a valid license to do so.
  - (ii) No licensee shall manufacture optical discs in any location other than the licensed premises.
  - (iii) In granting a license, the competent authority shall assign to the licensee a manufacturer's code (such as the source identification (SID) code currently deployed by optical media industries), and may impose such other conditions as it thinks fit.
- b. Register: The competent authority shall establish and maintain a register of the licenses granted, which shall be available for public inspection.
- c. Manufacturer's Code:
  - (i) Every licensee shall ensure that each optical disc manufactured is marked with the manufacturer's code endorsed on his license.
  - (ii) The standard for marking manufacturer's codes on optical discs shall include both a mould code and a mastering code. Every mould must be engraved with a mould code and every Laser Beam Recorder must be hardwired with a mastering code such that every master/stamper and every disc produced will bear markings identifying the source.
- d. Records: Every licensee shall maintain complete and accurate records of orders received, customers, suppliers, equipment, and discs manufactured.

**Draft**  
**Subject to Legal Review for Accuracy, Clarity, and Consistency**  
**June 18, 2004**

In addition, every licensee shall keep records on the quantity of optical disc grade polycarbonate received on the licensed premises, the quantity of such material being used for the manufacture of optical discs, the quality of such material being disposed in other manner, and the manner of disposal.

- e. Inspections: The competent authority shall carry out regular inspections without prior notice to ensure that the regulations and the conditions of the license are complied with, and shall be permitted to seize any items (including equipment) if there is a breach of the regulations or the conditions of the license. Every licensee shall produce its records for and permit inspection by the competent authorities at any time.
- f. Exemplars of Discs: Every licensee shall provide exemplars of discs from each of its manufacturing lines to law-enforcement authorities and right-holder organizations, and permit inspection by right-holder organizations.
- g. Offenses: A person who contravenes the obligations of the regulation or breaches any condition of the license shall be liable for a fine or imprisonment, or both. Except for minor violations, all equipment seized shall be forfeited and any license granted shall be revoked.
- h. Licensing: Bahrain shall provide for a system of automatic licensing for the import into or the export from Bahrain of “stampers” and “masters” and manufacturing equipment used in connection with the production of optical discs.
- i. Unlawful Dealing in Discs: Bahrain shall not permit the sale, offer for sale, or distribution of any optical discs that do not bear unique identifiers as contemplated in subparagraph (c) above.

I have the honor to propose that this letter and your letter of confirmation in reply shall constitute an integral part of the Agreement, to enter into force on the entry into force of the Agreement.

Sincerely,

Robert B. Zoellick

**Draft**  
**Subject to Legal Review for Accuracy, Clarity, and Consistency**  
**June 18, 2004**

The Honourable Robert B. Zoellick  
United States Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20508

Dear Ambassador Zoellick:

I have the honor to confirm receipt of your letter of this date, which reads as follows:

“In connection with the signing on this date of the United States-Bahrain Free Trade Agreement (the “Agreement”), I have the honor to confirm the following understanding reached by the Governments of the United States and Bahrain regarding the Agreement that:

Concerning the manufacture of optical discs, Bahrain agrees to give effect to the following:

- a. License:
  - (i) No person shall manufacture in Bahrain optical discs, including master discs or stampers used in the manufacture of discs, unless he holds a valid license to do so.
  - (ii) No licensee shall manufacture optical discs in any location other than the licensed premises.
  - (iii) In granting a license, the competent authority shall assign to the licensee a manufacturer’s code (such as the source identification (SID) code currently deployed by optical media industries), and may impose such other conditions as it thinks fit.
- b. Register: The competent authority shall establish and maintain a register of the licenses granted, which shall be available for public inspection.
- c. Manufacturer's Code:
  - (i) Every licensee shall ensure that each optical disc manufactured is marked with the manufacturer's code endorsed on his license.
  - (ii) The standard for marking manufacturer's codes on optical discs shall include both a mould code and a mastering code. Every mould must be engraved with a mould code and every Laser Beam Recorder must be hardwired with a mastering code such that every

**Draft**  
**Subject to Legal Review for Accuracy, Clarity, and Consistency**  
**June 18, 2004**

master/stamper and every disc produced will bear markings identifying the source.

- d. **Records:** Every licensee shall maintain complete and accurate records of orders received, customers, suppliers, equipment, and discs manufactured. In addition, every licensee shall keep records on the quantity of optical disc grade polycarbonate received on the licensed premises, the quantity of such material being used for the manufacture of optical discs, the quality of such material being disposed in other manner, and the manner of disposal.
- e. **Inspections:** The competent authority shall carry out regular inspections without prior notice to ensure that the regulations and the conditions of the license are complied with, and shall be permitted to seize any items (including equipment) if there is a breach of the regulations or the conditions of the license. Every licensee shall produce its records for and permit inspection by the competent authorities at any time.
- f. **Exemplars of Discs:** Every licensee shall provide exemplars of discs from each of its manufacturing lines to law-enforcement authorities and right-holder organizations, and permit inspection by right-holder organizations.
- g. **Offenses:** A person who contravenes the obligations of the regulation or breaches any condition of the license shall be liable for a fine or imprisonment, or both. Except for minor violations, all equipment seized shall be forfeited and any license granted shall be revoked.
- h. **Licensing:** Bahrain shall provide for a system of automatic licensing for the import into or the export from Bahrain of “stampers” and “masters” and manufacturing equipment used in connection with the production of optical discs.
- ii. **Unlawful Dealing in Discs:** Bahrain shall not permit the sale, offer for sale, or distribution of any optical discs that do not bear unique identifiers as contemplated in subparagraph (c) above.

I have the honor to propose that this letter and your letter of confirmation in reply shall constitute an integral part of the Agreement, to enter into force on the entry into force of the Agreement.

Sincerely,

Robert B. Zoellick”

**Draft**  
**Subject to Legal Review for Accuracy, Clarity, and Consistency**  
**June 18, 2004**

I have the honor to confirm that the understanding referred to in your letter is shared by my Government, and that your letter and this letter in reply shall constitute an integral part of the Agreement, to enter into force on the entry into force of the Agreement.

Sincerely,

H.E. Abdulla Hassan Saif  
Minister of Finance and National Economy