



For Release
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**Copyright Industries Pledge Support For USTR Results Oriented Agenda
with Special 301 Countries**

**Copyright Industries Call for Positive Action in Priority Countries and
For Termination of Russia's GSP Benefits Given its High Piracy Levels and Poor Enforcement**

Washington, D.C. —The International Intellectual Property Alliance (IIPA) appreciates the work of the U.S. government interagency in reaching the decisions issued today by U.S. Trade Representative Rob Portman on 48 trading partners in the annual “Special 301” review of copyright piracy and related market access problems around the world.

Eric H. Smith, IIPA President, said, “USTR and the interagency have chosen to maintain **Russia** on the Special 301 Priority Watch List – now for the tenth year in a row, despite the acknowledged problems of piracy there. IIPA had recommended that USTR designate Russia as a Priority Foreign Country this year and that Russia’s eligibility for GSP benefits be immediately suspended. Russia’s copyright piracy problem remains one of the world’s most serious. Piracy rates for most sectors are estimated at around 70%-80% in 2005 and losses continue to be staggering. Repeated efforts by industry and the U.S. government over many years to convince the Russian government to provide meaningful and deterrent enforcement of its copyright and other laws against optical disc (OD) factories and other types of piracy – including some of the world’s most open and notorious websites selling unauthorized materials have yielded little progress in reducing these high piracy levels. Not only is piracy in the domestic market out of control, but pirate exports continue to flood markets across Eastern and Western Europe.”

Smith continued on Russia: “To add to the overall lack of effective enforcement, the Russian Government is even considering adoption of a new Civil Code that would undo the 15 years of IPR legal reforms in Russia and would further weaken enforcement. IIPA regrets the Administration’s failure to identify Russia as Priority Foreign Country, and urges that USTR promptly suspend Russia’s GSP benefits unless it makes immediate and substantial enforcement improvement. Further, IIPA continues to urge the U.S. government to deny Russia’s entry into the World Trade Organization until its enforcement regime is substantially improved.”

IIPA President Smith continued, “The copyright piracy situation in the **People’s Republic of China** remains a very significant concern to IIPA members. IIPA supports the continuing placement of China on the Priority Watch List. In today’s decision, USTR indicated that it is creating a new initiative with China, which will involve a province-by-province IPR review, which is a positive development.”

Results-oriented engagement needed: Smith continued, “In our 301 submission, IIPA asked the U.S. government to bring greater pressure to bear, and to employ new tools, to improve enforcement systems in the countries on these lists. Securing deterrent enforcement via the active implementation of the new and improved copyright laws adopted in many countries over the past 20 years has clearly become the greatest challenge faced by our industries, and the most difficult one for our government to address

effectively. Many countries are simply unaware of the positive effects deterrent enforcement can have for their own economies. Continuing high level, results-oriented engagement, with these countries on IPR issues throughout the entire year is more critical than ever, as U.S. copyright companies continue to aim to expand the delivery of their protected content into markets around the world.”

Priority Watch List: USTR’s decision today placed 13 countries on the Priority Watch List in 2006: **Argentina, Belize, Brazil, Egypt, India, Indonesia, Israel, Lebanon, the People’s Republic of China, Russia, Turkey, Ukraine** and **Venezuela**. Belize was the only country elevated to this list.

IIPA and its members praise the progress made on copyright enforcement in **Brazil**, and again acknowledge the success of the CNCP (National Council to Combat Piracy and Intellectual Property Crimes). We will work with both the U.S. and the Brazilian government, bilaterally and through in the Bilateral Consultative Mechanism, to ensure that piracy levels drop and criminal copyright enforcement continues to improve in Brazil. Optical disc piracy in **Indonesia** remains serious, and while the government of Indonesia is just beginning to enforce its relatively weak optical disc regime, much more needs to be done. **Egypt** remains one of the most closed markets to copyright products in the world, and a scourge to book publishers. **Israel**’s copyright amendments threaten to violate its international obligations and its bilateral obligations to the United States.

Watch List: USTR placed 34 countries/territories on the Watch List this year. In recognition of progress made against optical disc piracy in **Pakistan** and **Kuwait**, USTR moved these two countries down from the Priority Watch List to the Watch List this year. IIPA applauds these moves while noting, as it did its own recommendation, that some problems remain to be solved, including a serious book piracy problem in Pakistan, and the need for continued vigilance to ensure that the owners of the pirate OD facilities are brought to justice and that pirate operations do not resume. **The Philippines**, a 2005 Priority Watch List country, was given Watch List status—a move about which IIPA expressed concern due to continued ineffectiveness against book piracy and ongoing judicial backlogs and hurdles. Malaysia was retained on the Watch List this year, with continued focus needed on pirate exports, especially of entertainment software, and more enforcement domestically, including against book and other piracy. **Vietnam**’s copyright law must be made TRIPS-compatible before it can join the WTO, and serious enforcement efforts there must commence. Four countries were dropped off the Watch List this year: **Azerbaijan, Kazakhstan, Slovak Republic** and **Uruguay**.

The copyright industries believe the heightened bilateral attention must be given to our neighbors, **Canada** and **Mexico**. Canadian copyright legislative developments will require close monitoring this year, and enforcement, both within the country and especially at its border, must be significantly improved. Copyright owners continue to suffer from serious piracy in Mexico, and despite regular raids on notorious markets, pirated products remain widely available. Full and proper implementation in our FTA trading partners **Chile, Costa Rica** and the **Dominican Republic** is warranted, and the industries look forward to working on implementation in the pending trade pacts with **Colombia** and **Peru**. IIPA had recommended that four Latin American trading partners – Chile, Costa Rica, Colombia and Dominican Republic – be elevated to the Priority Watch List for serious piracy and/or troubling copyright legislation in each country.

IIPA also supports the FTA negotiations with **Thailand, Malaysia** and the **Republic of Korea**.

Out of Cycle Reviews (OCRs): USTR identified five countries which will undergo out of cycle reviews this year: **Indonesia, Canada, Chile, Latvia** and **Saudi Arabia**.

Special 306 Monitoring: USTR continues to monitor developments of both the **People’s Republic of China** (in addition to placing China on the Priority Watch List) and **Paraguay** under Section 306 of the Trade Act of 1974. IIPA has commended Paraguay for the efforts that it has made over the

course of this past year, but noting that more anti-piracy work is needed in-country and at its borders—and in particular adoption of penal code amendments strengthening the penalties for copyright infringement are critical and overdue.

GSP Action: Over the years, IIPA and its members have been strong supporters of the GSP program, the IPR obligations within the statute, and the incentive and leverage it provides for beneficiary countries to improve their IPR regimes. Unfortunately, no GSP action against **Russia** was announced today. USTR did announce the termination of the GSP IPR investigation against **Kazakhstan**; we are concerned about the termination of this case given that very little progress on copyright has occurred there. The three remaining GSP IPR investigations are underway against **Russia, Lebanon** and **Uzbekistan**, all based on petitions initiated by IIPA years ago. Due to lack of progress in all three countries, GSP benefits should be revoked. The GSP program is due to expire at the end of this year unless Congress reauthorizes it.

IIPA's Chart of USTR's Decisions: A table of USTR's 2006 Special 301 decisions, including estimated trade losses and piracy levels on a country-by-country and industry-by-industry basis provided by IIPA, is attached to this release. On February 13, 2006, IIPA submitted its recommendations to USTR on 68 countries/territories, of which it recommends that 46 be placed on an appropriate USTR list. IIPA's full country reports in its 2006 Special 301 Report are posted on the IIPA website, <http://www.iipa.com>. IIPA's submission also described seven challenges and initiatives that define the industries' collective agenda for the coming year.

On a global basis (that is, in all countries including the U.S.), IIPA conservatively estimates that total losses due to piracy were \$30-35 billion in 2005, not counting significant losses due to Internet piracy, for which meaningful estimates are not yet available.

About IIPA and the Impact of the U.S. Copyright Industries on the U.S. Economy and Trade

The International Intellectual Property Alliance (IIPA) is a coalition of seven trade associations representing U.S. copyright-based industries in bilateral and multilateral efforts to open up foreign markets closed by piracy and other market access barriers. These member associations represent over 1,900 U.S. companies producing and distributing materials protected by copyright laws throughout the world—all types of computer software, including business applications software and entertainment software (such as videogame discs and cartridges, personal computer CD-ROMs, and multimedia products); theatrical films, television programs, DVDs and home video and digital representations of audiovisual works; music, records, CDs, and audiocassettes; and textbooks, trade books, reference and professional publications and journals (in both electronic and print media).

In October 2004, the IIPA released its latest economic report, entitled *Copyright Industries in the U.S. Economy: The 2004 Report*, the tenth such study written by Stephen Siwek of Economists Inc. for IIPA. The latest data shows that in 2002, the U.S. "core" copyright industries accounted for an estimated 6% of U.S. Gross Domestic Product (GDP), or \$626.6 billion, and the "total" copyright industries accounted for an estimated 12% of U.S. GDP, or \$1.25 trillion. The "core" copyright industries employed 4% of U.S. workers in 2002, or 5.48 million persons. Between 1997 and 2001, the "core" copyright industries' employment grew at an annual growth rate of 3.19% per year, a rate more than double the annual employment rate achieved by the U.S. economy as a whole (1.39% per year). Finally, in 2002, the U.S. copyright industries achieved foreign sales and exports estimated at \$89.26 billion, leading other major industry sectors such as chemicals and related products, motor vehicles, equipment and parts, and aircraft and aircraft parts.

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USTR 2006 "SPECIAL 301" DECISIONS

IIPA's 2005 ESTIMATED TRADE LOSSES DUE TO COPYRIGHT PIRACY
(in millions of U.S. dollars)
and 2005 ESTIMATED LEVELS OF COPYRIGHT PIRACY

	Business Software ¹		Records & Music ²		Motion Pictures ³		Entertainment Software ⁴		Books	Totals ⁵
	Loss	Level	Loss	Level	Loss	Level	Loss	Level	Loss	Loss
	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005
PRIORITY WATCH LIST										
Argentina	80.6	77%	69.5	60%	NA	NA	NA	NA	4.0	154.1
Belize	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Brazil	385.2	65%	334.5	52%	NA	NA	120.8	77%	18.0	858.5
Egypt	30.3	64%	9.0	60%	NA	NA	14.3	85%	30.0	83.6
India	265.1	74%	70.7	55%	NA	NA	65.2	86%	42.0	443.0
Indonesia (OCR)	97.9	85%	24.5	75%	NA	NA	NA	NA	32.0	154.4
Israel	32.9	34%	28.0	35%	NA	NA	NA	95%	1.0	61.9
Lebanon (GSP)	17.9	75%	3.2	75%	NA	NA	NA	NA	4.0	25.1
People's Republic of China	1276.1	88%	204.0	85%	244.0	93%	589.9	92%	52.0	2366.0
Russian Federation (GSP)	748.4	85%	475.9	67%	266.0	81%	223.9	82%	42.0	1756.2
Turkey	119.2	64%	18.0	80%	NA	NA	NA	NA	23.0	160.2
Ukraine	61.8	90%	30.0	60%	NA	NA	NA	NA	NA	91.8
Venezuela	40.9	78%	33.0	83%	NA	NA	NA	NA	NA	73.9
WATCH LIST										
Bahamas	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Belarus	NA	NA	25.0	70%	NA	NA	NA	NA	NA	25.0
Bolivia	6.0	80%	15.8	90%	NA	NA	NA	NA	NA	21.8
Bulgaria	20.5	73%	7.0	80%	NA	NA	21.0	81%	NA	48.5
Canada (OCR)	580.6	36%	NA	NA	118.0	8%	NA	NA	NA	698.6
Chile (OCR)	47.4	64%	22.7	51%	NA	NA	NA	NA	1.0	71.1
Colombia	44.8	55%	47.7	71%	NA	NA	NA	NA	6.0	98.5
Costa Rica	9.6	67%	18.3	60%	NA	NA	NA	NA	NA	27.9
Croatia	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Dominican Republic	2.6	77%	10.8	75%	NA	NA	NA	NA	1.0	14.4
Ecuador	7.9	70%	26.3	90%	NA	NA	NA	NA	2.5	36.7
European Union	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Guatemala	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hungary	64.7	42%	12.0	30%	102.0	73%	NA	30%	4.0	182.7
Italy	760.8	48%	40.0	20%	161.0	22%	639.2	30%	20.0	1621.0
Jamaica	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Kuwait	30.6	68%	8.5	70%	NA	NA	NA	91%	0.5	39.6
Latvia (OCR)	12.5	58%	12.0	85%	NA	NA	1.3	82%	NA	25.8
Lithuania	12.2	58%	12.0	85%	NA	NA	1.7	88%	NA	25.9
Malaysia	75.1	60%	38.8	49%	NA	NA	23.4	91%	10.0	147.3
Mexico	214.2	64%	376.5	65%	483.0	62%	137.7	75%	42.0	1253.4
Pakistan	15.7	83%	25.0	100%	NA	NA	NA	NA	55.0	95.7
Peru	23.6	73%	66.0	98%	NA	NA	NA	NA	9.0	98.6
Philippines ⁴	43.3	71%	21.0	40%	NA	NA	11.3	85%	48.0	123.6
Poland	212.3	58%	25.0	31%	102.0	66%	NA	60%	5.0	344.3
Republic of Korea	255.8	46%	1.3	13%	NA	NA	415.1	55%	43.0	715.2
Romania	41.6	75%	17.0	80%	NA	NA	NA	75%	2.0	60.6
Saudi Arabia (OCR)	80.1	52%	20.0	50%	NA	NA	NA	95%	10.0	110.1
Taiwan	77.5	42%	21.5	26%	98.0	51%	161.9	42%	18.0	376.9
Tajikistan	NA	NA	5.0	80%	NA	NA	NA	NA	NA	5.0
Thailand	107.9	77%	21.9	45%	149.0	62%	NA	75%	30.0	308.8
Turkmenistan	NA	NA	7.0	85%	NA	NA	NA	NA	NA	7.0
Uzbekistan (GSP)	NA	NA	30.0	80%	NA	NA	NA	NA	NA	30.0
Vietnam	26.8	91%	NA	95%	NA	NA	NA	NA	16.0	42.8
SPECIAL 306 MONITORING										
Paraguay ²	7.3	83%	128.0	99%	NA	NA	NA	NA	2.0	137.3
TOTALS	5937.7		2362.4		1723.0		2426.7		573.0	13022.8

1 BSA's 2005 statistics are preliminary. They represent the U.S. publishers' share of software piracy losses in each country, and follow the methodology compiled in the Second Annual BSA/IDC Global Software Piracy Study (May 2005), available at <http://www.bsa.org/globalstudy/>. These figures cover, in addition to business applications software, computer applications such as operating systems, consumer applications such as PC gaming, personal finance, and reference software.

2 In Paraguay, RIAA reports that its estimated losses to the records and music industry include both domestic piracy in Paraguay and estimated losses caused by transshipment. In Spain, RIAA's 2004 loss estimate of \$90 million reflects all-industry losses (U.S. plus International repertoire); the 2005 losses reflect U.S.-only estimates. All-industry 2005 losses in Spain are in the \$75 million range.

3 MPAA's trade losses and piracy levels for 2005 are available for a limited number of countries and are based on a methodology that analyzes physical or "hard" goods and Internet piracy. For a description of the new methodology, please see Appendix B of IIPA's 2006 report. As loss numbers and piracy levels become available for additional countries at a later time, they will be posted on the IIPA website, www.iipa.com.

4 ESA's reported dollar figures reflect the value of pirate product present in the marketplace as distinguished from definitive industry "losses." The value of pirate product in the market in the Philippines reflects only the value of pirate product for personal computers. The methodology used by the ESA is further described in Appendix B of IIPA's 2006 report.

5 For many countries, the "total" loss figure does not include losses for one or more industry sectors where figures are unavailable (NA). Consequently, the totals for these countries are even more conservative.

"GSP" means that the U.S. government is reviewing this country's IPR practices under the Generalized System of Preferences trade program.

"OCR" means out-of-cycle review to be conducted by USTR.