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**The Copyright Industries in the International Intellectual Property Alliance
(IIPA) Submit to USTR their 2007 Report
on Piracy in 60 Countries/Territories**

China and Russia remain key problem countries

Washington—The International Intellectual Property Alliance (IIPA) submitted its recommendations to U.S. Trade Representative Susan Schwab today in the annual “Special 301” review of copyright piracy and market access problems around the world. IIPA’s submission discusses copyright protection, enforcement, and market access problems in 60 countries/territories, of which it recommends that 45 be placed on an appropriate USTR list. IIPA also discusses piracy and market access problems in an additional 15 countries but is not recommending that these countries be placed on any formal list. The IIPA submission also describes eight challenges and initiatives that define the industries’ collective agenda for 2007.

In commenting on this year’s Special 301 process, IIPA’s Eric H. Smith noted: “The annual Special 301 process continues to be the primary means for the U.S. copyright industries to advise U.S. government agencies about the principal impediments to adequate and effective protection in global markets. Many of the key markets around the world that are infected with high levels of copyright piracy or deny effective market access to copyright industries. The unwillingness of the countries identified in our submission to curb high rates of piracy – in most countries, through more effective and deterrent enforcement – saps the U.S. economy of the high-paying jobs and strong growth rates that make this sector critical to the health of the U.S. economy. China and Russia are again this year the two countries that are of the greatest concern to the copyright industries, as they were in 2006. While there have been developments in both these key markets over the year, the bottom line is that piracy levels have not come down at all or only marginally, and some problems have grown worse.”

As a result of the deficiencies in the copyright regimes of these surveyed countries/territories, IIPA reports trade losses and piracy levels for some copyright industry sectors this year on a country by country and industry by industry basis. On a global basis (that is, in all countries including the U.S. and including countries not on IIPA’s 301 list), IIPA conservatively estimates that total losses due to piracy were at least \$30-35 billion in 2006, not counting significant losses due to Internet piracy, for which meaningful estimates are not yet available.

Priority Watch List: In light of the recent signing of a US-Russia IPR Agreement under which Russia committed to take action with respect to the principal issues that IIPA has raised in recent years, IIPA recommends that USTR keep **Russia** on the Priority Watch List, but to review that status later in the year to examine Russia’s compliance with its obligations. Russia’s copyright piracy problem remains one of the most serious in the world. Piracy rates for some sectors are estimated at over 70% in 2006 and losses

continue to be staggering. Despite the repeated efforts of industry and the U.S. government to convince the Russian government to provide meaningful and deterrent enforcement of its copyright and other laws against optical disc factories and all types of piracy—including some of the most open and notorious websites selling unauthorized materials in the world, such as www.allofmp3.com—little progress has been made over the years in convincing Russia to take the enforcement actions that could reduce these high piracy levels. Not only is piracy in the domestic market rampant, but pirate exports inundate markets across both Eastern and Western Europe.

IIPA recommends that the **People's Republic of China** also remain on the Priority Watch List. Engagement with China has been multifaceted over the entire year and China has taken many new initiatives. Unfortunately, again this year, these campaigns and enforcement actions have had little deterrent effect in the actual marketplace and piracy rates remain at continuing high levels. IIPA has spelled out exactly what it believes China must do, including taking deterrent “criminal” actions against pirates for whom the usual small fines are meaningless. One positive development has been the long-awaited adoption of regulations governing the Internet which are generally good but remain to be implemented. So far, it is clear that the Chinese government has not devoted sufficient resources to combat rapidly advancing Internet piracy and needs to further clarify underlying legal rules and enforcement procedures, as well as to expand the opportunity for U.S. copyright based industries to offer legitimate materials to the Chinese public.

IIPA recommends that an additional 14 countries be placed on the Priority Watch List in 2007, for a total of 16 countries: **Argentina, Canada, Chile, Costa Rica, the Dominican Republic, Egypt, India, Israel, Mexico, the People's Republic of China, Russia, Saudi Arabia, Thailand, Turkey, Ukraine and Venezuela.**

Watch List: IIPA asks USTR to place (or maintain) 28 countries/territories on the Watch List. New countries which IIPA would like to see added to the Watch List this year include **Spain, Greece, Bangladesh, Nigeria and Kazakhstan.**

Continued monitoring of Paraguay: Although IIPA commends **Paraguay** for its efforts (including cooperation with industry, plus raids and seizures), few concrete and systemic results in combating the high piracy levels have been made. More anti-piracy work is needed in country and at its borders, and IIPA recommends that USTR continue to monitor developments in Paraguay under Section 306 of the Trade Act of 1974.

Out-of-Cycle Reviews: IIPA requests that USTR later this year conduct out-of-cycle reviews of seven countries to evaluate their progress on the issues identified in this submission: **Russia, South Korea, Taiwan, Indonesia, the Philippines, Pakistan and Switzerland.**

IIPA's “Special Mention” countries and those subject to dispute settlement: IIPA discusses serious piracy or law reform problems in 15 additional countries, and recommends that USTR press copyright-related concerns identified in these IIPA reports during the course of ongoing bilateral engagements. IIPA is not, however, recommending these countries for placement on a Special 301 list. This includes four countries where IIPA has identified outstanding FTA implementation issues— **Bahrain, Jordan, Morocco and Singapore** – which we believe should be the basis for dispute settlement proceedings unless they can be promptly and satisfactorily resolved on an informal basis.

GSP country review of copyright protection: U.S. government reviews are ongoing regarding whether particular countries provide “adequate and effective” protection for U.S. copyright materials under the GSP (Generalized System of Preferences) trade program, which provides unilateral duty-free trade privileges to many developing countries. An adverse finding can result in withdrawal or limitation of these substantial trade benefits. IIPA supports this program and was gratified that it was renewed by Congress last

December. Currently there are three ongoing IPR reviews, all based on petitions filed years ago by the IIPA: **Russia, Lebanon, and Uzbekistan.**

IIPA's chart of 2007 country recommendations: A table of IIPA's recommendations, including estimated trade losses and piracy levels for most industry sectors on a country-by-country and industry-by-industry basis, is attached to this release, and is also posted on the IIPA website, www.iipa.com.

IIPA's global priority themes for 2007: IIPA has identified eight global trade priorities for 2007: (1) effective and deterrent enforcement against copyright piracy; (2) Internet piracy, electronic commerce and the WIPO Internet Treaties; (3) optical disc piracy and its effective regulation; (4) piracy by organized crime syndicates; (5) end-user piracy of business software and other copyrighted materials; (6) piracy of books and journals; (7) using FTAs to improve global standards of copyright protection and enforcement, and (8) market access for copyright products.

The last initiative, market access, has always been critical to copyright industries but this year we are asking USTR to devote particular attention to this problem. Effective market access for IPR industries has always been one of the criteria in the Special 301 statutory scheme. There exists a strong connection between a country's ability to effectively combat piracy and its willingness to foster the introduction of legitimate product quickly and efficiently into its markets. IIPA calls upon policymakers to recognize, examine and draw on these relationships to help make the reduction of market access impediments an even higher priority component of ongoing efforts to combat piracy. Where there are unjustifiable impediments to the introduction or distribution of legitimate products, or to the commercial establishment of companies involved in the creation, manufacture or distribution of such products, illegal operations fill these voids with piratical product. In essence, limitations on market access or excessive regulatory burdens allow pirates to become *de facto* exclusive distributors of U.S. copyright content.

IIPA's Eric Smith continued: "In 2007, IIPA is asking the U.S. government to bring greater pressure to bear, and employ new tools, to improve enforcement systems in most of the countries on these lists. Securing deterrent enforcement, as part of implementing the new, and much improved, copyright laws adopted in the last 20 years globally, has clearly become the greatest challenge to our industries, and the most difficult one for our government to address effectively. Many countries are simply unaware of what deterrent enforcement can do to benefit their own economies. They are jeopardizing compliance with their international WTO TRIPS obligations by not effectively enforcing their laws. Many are just unwilling to address this serious problem.

"The incredible growth of broadband globally has threatened many of the law reform and enforcement gains that have been laboriously achieved in many countries. No longer is Internet piracy a problem affecting only developed countries; this piracy is expanding exponentially in almost all markets. China, for example, will have more broadband users than the U.S. in 2007. Other countries like South Korea, Taiwan, Brazil, India and others will begin to outstrip not only growth in the developed world but soon will have more people connected to the Internet than in our own country. Implementation of the WIPO Internet treaties and the creation of political will and the enforcement mechanisms to fight this growing problem have become an essential task for both industry and government.

"We call upon the governments of all countries to halt the rapid spread of optical disc piracy (such as industrially produced CDs, CD-ROMs, DVDs, and "burned" CD-Rs, DVD-Rs) and to fight collectively to bring to justice the organized criminal syndicates that control it. These syndicates generate billions of dollars in virtually risk-free profits. IIPA is asking that countries or territories that harbor optical media pirate production plants pass strong optical disc regulations to enhance existing copyright laws and border procedures to deal with this massive global piracy problem.

“Combatting book and journal piracy, including illegal commercial photocopying as well as widespread photocopying condoned by universities, is imperative. Also, governments should adopt effective legislation and take aggressive enforcement action to deal with piracy of business software and other copyrighted materials within enterprises, which causes huge losses to the U.S. economy.

“Finally, we salute the U.S. government for staying the course in negotiating strong IP and enforcement chapters in free trade agreements. We hope the U.S. Congress will approve the agreements with Colombia, Peru and Panama. We also support the continuing negotiations with South Korea and Malaysia and expect that the IP Chapters will contain strong and comprehensive copyright protection and enforcement measures, as other FTAs have. These FTAs go far toward building the proper legal and enforcement infrastructure to support the local development of creative copyright industries as well as improve foreign investment. We are concerned, however, that the expiration of Trade Promotion Authority may threaten approval of some of these FTAs. IIPA and its members strongly support the extension of Trade Promotion Authority.”

About the IIPA: 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).

The Impact of the U.S. Copyright Industries on the U.S. Economy and Foreign Trade: On January 30, 2007, the IIPA released an economic report entitled *Copyright Industries in the U.S. Economy: The 2006 Report*, the eleventh study written by Stephen Siwek of Economists Inc. This report details the economic impact and contributions of U.S. copyright industries to U.S. Gross Domestic Product, employment, and trade. The latest data show that the “core” U.S. copyright industries accounted for an estimated \$819.06 billion or 6.56% of the U.S. gross domestic product (GDP) in 2005. These “core” industries were responsible for 12.96% of the growth achieved in 2005 for the U.S. economy as a whole (this means that the growth contributed by these core industries (12.96%) was almost double their current dollar share of GDP (6.56%)). In addition, the “core” copyright industries employed 5.38 million workers in 2005 (4.03% of U.S. workers) in 2005. And the report, for the first time, provides data on the estimated average annual compensation for a worker in the core copyright industries: \$69,839 in 2005, which represents a 40% premium over the compensation paid the average U.S. worker. Finally, estimated 2005 foreign sales and exports of the core copyright industries increased to at least \$110.8 billion, leading other major industry sectors. Those sectors include: chemicals and related products (not including medicinal and pharmaceutical products); motor vehicles, parts and accessories; aircraft and associated equipment; food and live animals; and medicinal and pharmaceutical products. *The 2006 Report* is posted on the IIPA website at www.iipa.com.

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