

**FOR IMMEDIATE RELEASE**

February 11, 2008
Washington, DC

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**The Copyright Industries in the
International Intellectual Property Alliance (IIPA)
Submit to USTR their 2008 Report on Piracy in 51 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 51 countries/territories, of which it recommends that 43 be placed on an appropriate USTR watch list. IIPA also discusses piracy and market access problems in an additional eight countries but is not recommending that these countries be placed on any formal list. Finally, the IIPA submission describes key challenges and initiatives that define the copyright industries’ trade agenda for 2008.

In commenting on this year’s Special 301 process, IIPA’s Eric H. Smith noted: “The annual Special 301 process continues to be an important tool to bring to the attention of our trading partners the importance of high levels of protection for, and strong enforcement against piracy of, copyrighted works, both to the U.S. economy and to the economies of these countries. U.S. business and entertainment software, movies and home video entertainment, music and recordings, and books and journals continue to be an important driver of the U.S. economy -- contributing almost 13% to U.S. economic growth in 2005.”

This year’s submission in particular reflects the copyright industries’ grave concern with the explosive growth of online and mobile piracy. To meet this challenge, IIPA members are pressing for enhanced international norms, more effective and deterrent enforcement of those norms, and greater global law enforcement cooperation.

Smith added, “Canada joins China and Russia this year as countries of the greatest concern to the copyright industries. While there have been a few positive developments in these key markets over the year, the bottom line is that piracy levels have not come down at all or only marginally, and in some countries the situation has 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. For just the 51 countries surveyed in the submission, estimated losses to all copyright industries totaled **\$18.4 billion** in 2007. 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 2007, not counting significant losses due to Internet piracy, for which meaningful estimates are not yet available.

Priority Watch List: IIPA recommends that the **People’s Republic of China** remain on the Priority Watch List. Engagement with China has been multifaceted during 2007, including the U.S. government’s commencement of two cases before the WTO challenging certain of China’s IPR and market access practices in addition to other ongoing bilateral dialogues and industry-to-government discussions. As reflected in today’s submission, China’s many campaigns and enforcement actions have in most cases had little deterrent effect in the marketplace and piracy rates remain at very high

levels. IIPA has set out exactly what it believes China must do, including taking deterrent criminal actions against pirates for whom the usual small administrative fines have been, and continue to be, meaningless. Online and mobile piracy have become huge problems with China's Internet-connected population having reached 210 million at the end of 2007, and with over 500 million mobile devices in the marketplace. The Chinese government has failed to devote sufficient resources to combat these rapidly advancing forms of piracy, and it is critical that they do so before the online and mobile marketplace becomes as distorted by piracy as the physical market.

IIPA also recommends that **Russia** remain on the Priority Watch List. While it signed a comprehensive, binding IPR agreement with the U.S. in 2006, Russia has not yet fully implemented that agreement and enforcement continues to be a major deficiency in the Russian IPR regime. Russia's copyright piracy problem remains one of the most serious in the world. Piracy rates for some sectors continued at over 70% in 2007, resulting in staggering losses to the local and U.S. industries. The priority for IIPA members is for Russia to step up enforcement activity well beyond current levels, including the imposition of deterrent criminal penalties as well as vastly increasing criminal investigations and prosecutions. By certain measures, Russia is undertaking more enforcement actions than in prior years and there are particular areas, such as with business software, where some progress has been made. Nonetheless, much remains to be done to achieve adequate protection in Russia and to secure compliance with the IPR Agreement, particularly with regard to optical disc and Internet piracy.

Canada also merits inclusion on the Priority Watch List. Alone among developed economies in the OECD, Canada has taken no meaningful steps toward modernizing its copyright law to meet the global minimum standards of the WIPO Internet Treaties, which it signed more than a decade ago. In 2007, the parliamentary leadership and the government, at the highest levels, acknowledged many of these deficiencies, and the government listed copyright reform among its top legislative priorities. But these encouraging statements have not yet evolved into anything more concrete.

IIPA recommends that 13 countries be placed on the Priority Watch List in 2008: **Argentina, Canada, Chile, Costa Rica, Egypt, India, Mexico, People's Republic of China, Peru, Russia, Saudi Arabia, Thailand, and Ukraine.**

Watch List: IIPA asks USTR to place (or maintain) 29 countries/territories on the Watch List. New countries which IIPA would like to see added to the Watch List this year include: **Spain, Greece, Sweden, Israel, Lebanon, Turkey, Brunei, 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 high piracy levels have been achieved. More effective anti-piracy work is needed in-country and at the 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 three countries to evaluate their progress on the issues identified in this submission: **Italy, Philippines, and Thailand.**

IIPA's "Special Mention" Countries: Although IIPA is not recommending these countries for placement on a Special 301 list, it urges USTR to give heightened bilateral attention to eight additional countries which pose specific problems for U.S. industry. These are **Bulgaria, Germany, Hong Kong, Japan, Jordan, New Zealand, Singapore, and Switzerland.**

IIPA's Chart of 2008 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 Challenges and Initiatives for 2008: IIPA has identified eight global trade priorities/challenges for 2008: (1) Internet piracy, electronic commerce and full implementation of the WIPO Internet Treaties; (2) effective and deterrent enforcement against copyright piracy; (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.

Last year, IIPA asked USTR to devote particular attention to the problem of inadequate market access for copyright products in many countries, China being the foremost among them. This issue remains critical for the copyright industries and is intimately related to the piracy problem. For 2008, we have also urged that heightened attention be given to the now critical problem of Internet and other types of digital piracy which, with the increasing growth of broadband penetration around the world, threatens to undermine the many gains made over the last 20 years in reducing global piracy of physical products.

Finally, IIPA's Eric H. Smith added, "We commend Ambassador Schwab, Secretary of Commerce Gutierrez, Secretary of State Rice and their able staffs in Washington and abroad, for recognizing the importance of the creative industries to the future of the U.S. economy by working so closely with our companies to improve the global climate for intellectual property. We particularly salute them for negotiating first-rate standards of copyright protection and enforcement in Free Trade Agreements, such as those most recently concluded with South Korea, Peru and Colombia. These agreements are of great importance to our industries. They take into full account the increasing importance of e-commerce and the Internet to our companies and have worked diligently with us to develop and utilize the necessary anti-piracy/trade tools to allow those opportunities to be realized."

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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