

INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE



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February 23, 2001

Chairman of the GSP Subcommittee
of the Trade Policy Staff Committee
600 17th Street, NW, Room 518
Washington, DC 20508

Re: Request to Appear and Pre-Hearing Brief for the
Public Hearing on the Country Practices Review of
Brazil in the 2000 GSP Annual Review
Case: Brazil

To the Chairman of the GSP Subcommittee:

The International Intellectual Property Alliance (IIPA) hereby submits this Request to Appear at the GSP 2000 Public Hearing on the Country Practices Review of Brazil, to be held on March 9, 2001.

Also attached is our Pre-Hearing Brief in support of this review. This document is the IIPA's 2001 Special 301 filing on Brazil, which we submitted to the Office of the U.S. Trade Representative on February 16, 2001. The description of the methodology used by our member associations to estimate trade losses due to piracy and piracy levels follows the Brazil report.

We ask that three witnesses be allowed to appear jointly at this hearing – myself, Brendan Hudson of the Motion Picture Association, and Neil Turkewitz of the Recording Industry Association of America. Our contact information appears on the next page.

Thank you.

Sincerely,

Maria Strong
Vice President and Associate General Counsel
International Intellectual Property Alliance

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INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE

2001 SPECIAL 301 REPORT

BOLIVIA

EXECUTIVE SUMMARY

IIPA recommends that Bolivia remain on the Special 301 Watch List. Levels of copyright piracy in Bolivia remain high across most industry sectors. Significant improvements are needed to strengthen civil enforcement mechanisms, criminal enforcement and border measures. Copyright legal reform has been considered for years, and a comprehensive intellectual property rights bill was introduced to the Bolivian Congress in early February 2001. Bolivia is long overdue in meeting its bilateral and multilateral obligations regarding copyright protection and enforcement. In October 2000, the U.S. Senate approved the Bilateral Investment Treaty (BIT) with Bolivia, which was signed in April 1998 and ratified by Bolivia. At the time of the BIT negotiation, Bolivia was required to have TRIPS-level protection by the end of April 1999, both in terms of its substantive intellectual property law requirements and the requisite enforcement obligations. Bolivia currently participates in both the Generalized System of Preferences (GSP) program and the Andean Trade Preferences Act (ATPA), U.S. trade programs that offer preferential trade benefits to eligible beneficiary countries. Part of the discretionary criteria of these programs is that Bolivia provide "adequate and effective protection of intellectual property rights."¹

ESTIMATED TRADE LOSSES DUE TO PIRACY (in millions of U.S. dollars) and LEVELS OF PIRACY: 1995 - 2000

INDUSTRY	2000		1999		1998		1997		1996		1995	
	Loss	Level										
Business Software Applications ²	4.1	84%	4.1	85%	4.0	88%	3.1	88%	3.0	88%	8.8	92%
Sound Recordings / Musical Compositions	15.0	85%	15.0	85%	20.0	85%	18.0	85%	15.0	85%	2.5	87%
Motion Pictures	2.0	100%	2.0	100%	2.0	100%	2.0	100%	2.0	100%	2.0	100%
Entertainment Software ³	1.5	NA	NA	NA	3.9	93%	3.8	94%	3.9	93%	3.3	91%
Books	5.5	NA	5.0	NA								
TOTALS	28.1		26.1		34.9		31.9		28.9		21.6	

¹ In 1999, \$7.96 million of Bolivia's imports to the United States benefited from the GSP program, accounting for 3.6% of its total imports to the U.S. Another \$61.5 million of Bolivia's imports to the United States benefited from the ATPA program in 1999, accounting for 27.4% of its total imports that year. For the first eleven months of 2000, \$4.9 million of goods from Bolivia entered the U.S. under the duty-free GSP code, and \$55.7 million under ATPA. For a full history of Bolivia's placement on the Special 301 lists, see Appendices D and E of IIPA's 2001 Special 301 submission.

²BSA estimates for 2000 are preliminary. In IIPA's 1999 Special 301, BSA's 1998 estimates of \$3.9 million and 84% were also indicated as preliminary; the final 1998 and 1999 BSA numbers are reflected above.

³ IDSA estimates for 2000 are preliminary.

COPYRIGHT PIRACY IN BOLIVIA

Business software piracy by both resellers and end users is widespread in Bolivia. Estimated losses due to piracy of U.S. business application software in Bolivia in 2000 were \$4.1 million with an 84% piracy level. This is one of the highest piracy rates for business software anywhere in Latin America. Piracy levels in the government remain extremely high despite efforts to legalize several agencies. BSA urges the Bolivian government to consider stronger efforts to support government legalization of software in its public ministries and agencies.

Estimated trade losses due to the piracy of sound recordings and music in Bolivia has remained at \$15 million in 2000. In comparison, the legitimate industry reached sales of only \$2.2 million last year. The estimated level of audio piracy in the Bolivian market is 85%. In fact, the legitimate recording and music industries have accounted for no more than 15% of the total market for the last six years in a row. To compound matters, the market is being threatened by digital piracy, and is shifting into a pirate CD-R (recordable CD) market. These high losses are due primarily to the lack of action from the Bolivian government, the high levels of corruption of the police; the lack of commitment of the SENAPI (the National Intellectual Property Service) and the lack of commitment of the Bolivian judiciary. Bolivia continues to serve as an alternate route for product controlled by Paraguayan pirates. For example, Santa Cruz de la Sierra in Bolivia is a link between Paraguay's Ciudad del Este and other markets in Chile, Peru, Ecuador, and the Far East. Street vendors of pirated music are common in the Bolivian cities. The Bolivian authorities do not assist in conducting investigations; actions only happen after the local industry presses the bureaucracy

The level of book piracy in Bolivia has been slowly increasing over the last two years. Estimated trade losses due to book piracy in 2000 are \$5.5 million. A major source of pirated books are those imported from Peru, though there also appears to be some local production. The low-price availability of legitimate books through the RTAC/BIS program appeared to slow piracy for a while, but it is now higher than ever. Piracy of U.S. books affects mainly translations of college texts published by subsidiaries of AAP members. Many Spanish-language trade books regardless of source are also pirated.

Bolivia reportedly continues to have pirated interactive entertainment CD-ROMs and cartridges that are shipped from Paraguay by Chinese manufacturers, many of whom have Taiwanese connections. The Interactive Digital Software Association (IDSA) reports that estimated trade losses due to piracy of entertainment software (including videogame CDs and cartridges, personal computer CD-ROMs and multimedia entertainment products) in Bolivia are \$1.5 million in 2000. Estimated piracy levels are not available.

For the motion picture industry, television piracy continues to be the priority problem in 2000, with over 87 television stations making unauthorized broadcasts of recent blockbuster titles. The estimated broadcast television piracy rate is 95%. This extensive broadcast television piracy is typically pre-video release and disrupts the sequential distribution of MPA Member Company programming (the release to theaters, home video, pay television, and free television) and diverts limited television advertising revenues away from legitimate broadcasters. Video piracy also continues to be rampant, blanketing 100% of the market. Until the passage of the new Copyright Law in 1992, MPA member companies did not enter the Bolivian home video market due to the lack of copyright protection for motion pictures. The extensive television piracy problem, which

enables viewers to see titles before their legitimate video release, also prevents the establishment of a legitimate video market in Bolivia. Losses to the U.S. motion picture industry due to audiovisual piracy in Bolivia are estimated at \$2 million in 2000.

COPYRIGHT ENFORCEMENT IN BOLIVIA

The Inter-Institutional Committee for the Protection of Copyright was created on March 15, 1997. The creation of this Committee was promoted by the National Counsel for Economic Development, with the participation of local Bolivian copyright organizations, including the Cámara del Libro, CONACINE, the Cámara Nacional de Empresarios Cinematográficos, and other similar organizations. This Committee is working, along with the Copyright Office and the Ministry of Justice, to develop a comprehensive IPR and anti-piracy reform (discussed below). Since 1997, this committee has not accomplished much.

In September 1997, Bolivia created a new agency responsible for copyright, trademark and patent issues. The Law of Organization of the Executive Power No. 1788 dated September 16, 1997, created the National Intellectual Property Service (SENAPI). This public entity was formed with the objective of managing issues regarding Industrial Property and Intellectual Property in an integrated manner. SENAPI operates in accordance with the provisions established under the Supreme Decree No. 25159, dated September 4, 1998. This Supreme Decree sets forth the objectives, institutional framework, and powers attributed to SENAPI. SENAPI officials are training personnel and attempting to strengthen the agency. However, SENAPI is still seriously underfunded, lacks a cadre of trained personnel, and lacks any mechanism by which to enforce intellectual property rights.

Bolivia Fails to Provide TRIPS-Compatible Civil *Ex Parte* Search Measures

Concerning civil actions, the BSA has encountered a legal obstacle when trying to procure judicial searches and/or inspections in Bolivia. Article 326 of the Civil Procedure Code states that all preparatory proceedings (e.g. judicial inspections) must be carried out with the prior notification of the defendant. This prior notification violates TRIPS Article 50.2. In Bolivia, the failure to notify the defendant will make the proceeding *null ab initio*. This requirement has caused problems for BSA by depriving BSA actions of the necessary element of “surprise” in inspections involving software programs. In addition, once the target has been notified of a pending search order, it is entitled to object to the search. This effectively stops the search and seizure before it even occurs, given that a judge must rule on the objection. Various targets have deleted their illegally installed software just prior to the raid

In 2000, BSA filed twelve civil complaints against end users, but the courts granted search orders in only 6 of them. Also, at least four of these cases had to be dropped by BSA due to leaks from the Bolivian judiciary. A few of the more salient examples follow. On May 5, 2000, BSA filed a civil complaint requesting a search order against a waste management company. Before the target had been notified of the search order, legal counsel for that company contacted BSA’s local counsel to discuss the complaint. A few days later that company placed a purchase order to legalize the software it had been illegally using. BSA experienced similar problems with leaks from the courts in a case filed on December 22, 1999, against a well-known Bolivian bank.

Unwarranted Delays in Civil Enforcement

The Bolivian Civil Procedure Code fails to impose any time limits for courts to review and approve civil search requests. On average, it takes 45 days to obtain civil search and seizure order, by which time news of the raid may have leaked to the defendant or BSA's evidence may have grown stale. This unwarranted delay, which is far longer than the average authorization process in other countries in Latin America, violates Article 41 of TRIPS, which requires that remedies for copyright infringement be "expeditious."

In May 2000, BSA filed a civil search request against an end user in the city of Cochabamba. As of the time of this report, the search order in this case has yet to be issued. Depending on the city in which the civil complaint is filed, it could take up to four to five weeks to obtain a search order. As if the delay itself were not detrimental enough, once the court issues the order, the court must notify the defendant, as per the prior notice requirement discussed above.

Civil suits in Bolivia can take up to five years of court proceedings just to determine if there was a copyright infringement. Bolivian civil courts use a bifurcated system, meaning that even if the court finds that the software was infringing, there has to be a damages trial. This new trial on damages may take up to eight months. In addition, there has never been a final civil judgment for copyright infringement in Bolivia. All these factors make it extremely difficult to settle cases successfully, as defendants would rather wait for five or six years and take their chances than settle a case in which the law is unclear at best. In fact, BSA has only settled two cases in Bolivia during 2000. To make matters even worse, because Bolivian law only allows the recovery of direct damages (see discussion below), the potential award of damages in a civil suit is too limited to provide a meaningful deterrent effect.

Inadequate Civil Copyright Damages

The Bolivian copyright law permits only the recovery of direct economic damages for civil copyright violations and prohibits punitive, consequential, or statutory damages. Without the threat of significant damages large enough to create a meaningful deterrent to illegal activity, the copyright law fails to meet the requirements of TRIPS Articles 41 and 45.

In contrast, other countries have legislated a system of statutory damages that provide for an effective deterrent mechanism to combat piracy. In Brazil, for instance, the unauthorized reproduction or publication of a protected work may be subject to statutory damages equivalent to up to 3,000 times the retail value of the protected work.⁴ The same solution has been adopted by the United States (up to a maximum of \$30,000 per protected work).⁵ BSA is encouraged that the Ministry of Justice and other agencies have been working to overhaul the intellectual property laws of Bolivia by adding a statutory damages provision of between three to five times the retail value of the protected work⁶.

⁴ Ley de Derechos de Autor, No. 9610, Article 103.

⁵ 17 U.S.C § 504 (c)

⁶ Anteproyecto de Código de Propiedad Intelectual, Art. 175 I.

Inadequate and Ineffective Criminal Enforcement

BSA filed two criminal complaints in 2000 against resellers for hard disk loading (“HDL”). Although these cases were filed in September 2000, the Judicial Technical Police (Policía Técnica Judicial) took over four months to prepare the reports of the cases and request the issuance of a search and seizure order. To this date, the BSA has only been able to act against one of the resellers. The Prosecutor’s Office has yet to schedule the raid for the remaining reseller. BSA is concerned that due to leaks in the Police and Judiciary, all evidence of hard disk loading may be erased before the day of the raid.

The recording industry reports that a few small raids were conducted in Bolivia in 2000. Only 3,500 pirate cassettes were seized. Reports indicate that some raids are ruined due to leaks within the police, prior to the raid itself. In other cases, street vendors have attacked the police as anti-piracy actions were taking place.

Border Measures in Bolivia Must Be Strengthened

A new national customs service was created to control contraband and other infringing materials at Bolivia’s borders and ports of entry. Bolivia continued to serve as an alternate route for product controlled by Paraguayan pirates. Santa Cruz de la Sierra in Bolivia is a link between Paraguay’s Ciudad del Este and Chile, Peru, Ecuador and the Far East. Given the growing problem with piratical and counterfeit materials in the Andean Region, it is imperative that Bolivian law satisfy the TRIPS enforcement text on border measures. Bolivian laws and/or regulations should contain provisions in which the competent authorities can act on their own initiative and suspend the release of suspect goods (TRIPS Article 58).

COPYRIGHT LAW AND RELATED ISSUES

Copyright Law of 1992

Bolivia passed a copyright law on April 29, 1992, which replaced its antiquated 1909 law.⁷ While the 1992 Law was a vast improvement in legal protection, it left the implementation of many of its provisions, including enforcement, to subsequent regulations. For example, under the 1992 Copyright Law, computer programs are protected but not as “literary works,” and are subject to regulations. A first set of draft software regulations were proposed in 1993, and there were several rounds of revisions as well as numerous delays. Finally, a set of regulations providing the basic foundation for copyright protection of software and include provisions that specifically permit criminal actions to be undertaken against copyright infringers was implemented by presidential

⁷ Bolivia’s copyright regime must also comport with decisions made by the Andean Community. In December 1993, the five Andean Pact countries, including Bolivia, approved Decision 351, a common regime on copyright and neighboring rights, including an obligation to provide for injunctive relief, seizure and confiscation of unlawful copies and devices, and damages. Some very preliminary discussion has taken place regarding the modification of Decision 351 to make it TRIPS- and WIPO Treaties-compatible, but no resolution has been taken at this point by the Andean Community Copyright Office Directors.

decree five years after the original law, on April 25, 1997. With respect to films, the Copyright Law's protection is limited to works registered through CONACINE (Cámara Nacional de Empresarios Cinematográficos), a government/industry organization responsible for title registration, or, for works shown on television, through the Ministry of Telecommunications. The CONACINE registry has proven to be highly susceptible to fraudulent registration of titles by parties other than the legitimate rightsholder.

Copyright Law Amendments of 2001

Efforts to overhaul the 1992 copyright law have been underway for years. In 1996, the National Secretary of Culture and the National Secretary of Industry and Commerce started to develop a proposal for a "special law on intellectual property protection" which would complement the existing copyright law. The objective of this project was to increase the level of IP protection, streamline judicial proceedings relating to the enforcement of intellectual property rights, and otherwise improve enforcement efforts to combat piracy and counterfeiting of IPR-protected works in order to encourage the economic development of these industries in Bolivia. Due to funding problems, a final draft of this project was not originally expected until August 1997. At that time, IIPA received mixed reports on whether the project was abandoned in 1998 or whether Ministry of Justice took over drafting, with a goal of releasing a draft in the March-April 1999 timeframe.

IIPA has learned that the Bolivian Ministry of Justice and Human Rights presented a comprehensive package of proposed legislation on intellectual property rights, including a chapter on copyright, to the President of the Bolivian Congress on February 1, 2001.⁸ The copyright chapter reportedly contains over 200 articles which propose to expand the scope of exclusive rights, prescribe statutory damages for copyright violations, establish civil *ex parte* search procedures, add more enforcement powers to the Copyright Office, and create a special police force exclusively for intellectual property enforcement. IIPA and its members look forward to reviewing the chapters on copyright, as well as any separate enforcement-related chapters, in order to ensure that the proposals satisfy Bolivia's bilateral and multilateral obligations.

WIPO Treaties

Bolivia is a signatory to the WIPO Treaties – the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. Ratification of these treaties by Bolivia, followed by deposit of instruments of ratification with WIPO, would show the Bolivian government's support for raising the minimum standards of copyright protection, particularly with respect to network-based delivery of copyrighted materials, and fostering the growth of electronic commerce. Bolivia should ensure that any amendments to its copyright law incorporate the substantive obligations of the two WIPO treaties in order to respond to the challenges of the rapidly evolving marketplace for copyrighted materials.

⁸ IIPA does not have a copy of this bill as introduced. We are attempting to confirm whether this February 2001 bill matches the November 2000 document issued by the Vice Minister of Justice of the Ministry of Justice and Human Rights, entitled "Proposed Code of Intellectual Property."

Criminal Procedure Code Reform

The Bolivian Government published amendments to its Penal Code on March 10, 1997. The amended Article 362 of the Penal Code eliminates the previous requirement that works of intellectual property must be registered in Bolivia in order to be legally protected, and expands the scope of activities deemed as crimes against intellectual property rights. This amended article now matches the 1992 Copyright Law, which also establishes that registration is not required for the work to be protected by law. Importantly, the amended Article 362 of the penal code now allows the police to take enforcement actions against pirates. Previously, the code had required that copyright infringements be prosecuted and tried under rules for “private” penal actions, without the intervention of the state prosecutors. There are apparently two types of sanctions – “fine days” and “seclusion” (imprisonment) – but no range of fines appear to be specified in the code for copyright infringement. Because the use of these sanctions is not clear, the Supreme Court reportedly issued an administrative resolution in an attempt to provide better guidance. Perhaps this omission is addressed and corrected in the proposed IPR legislation presented to Congress on February 1, 2001.

INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE

2001 SPECIAL 301 REPORT

METHODOLOGY

Estimated trade losses due to piracy are calculated by IIPA's member associations. Since it is impossible to gauge losses for every form of piracy, we believe that our reported estimates for 2001 actually underestimate the losses due to piracy experienced by the U.S. copyright-based industries.

Piracy levels are also estimated by IIPA member associations and represent the share of a country's market that consists of pirate materials. Piracy levels together with losses provide a clearer picture of the piracy problem in different countries. Low levels of piracy are a good indication of the effectiveness of a country's copyright law and enforcement practices. IIPA and its member associations focus their efforts on countries where piracy is rampant due to inadequate or non-existent copyright laws and/or lack of enforcement.

BUSINESS SOFTWARE APPLICATIONS

The Business Software Alliance (BSA)'s calculation method compares two sets of data – the *demand* for new software applications, and the legal *supply* of new software applications.

Demand: PC shipments for the major countries are estimated from proprietary and confidential data supplied by software publishers. The data is compared and combined to form a consensus estimate, which benefits from the detailed market research available to these member companies.

Two dimensions break the shipments into four groups. Splitting the PC shipments between Home and Non-Home purchasers represents the market segments of each country. The PC shipments are also compared to the change in the installed base of existing PCs. The part of PC shipments which represents growth of the installed base is called "new shipments" and is separated from the "replacement shipments" which represent new PCs that are replacing older PCs.

A scale of the installed base of PCs by country compared to the number of white-collar workers was developed. PC penetration statistics are a general measure of the level of technological acceptance within a country. The level of penetration, for a variety of reasons, varies widely from country-to-country. This level is then ranked and each country is assigned to one of five maturity classes.

The number of software applications installed per PC shipment is provided by member companies, and the following ratios for the four shipment groups are developed:

- Home-New Shipments
- Non-Home - New Shipments
- Home - Replacement Shipments
- Non-Home - Replacement Shipments

For each shipment group, ratios are developed for each of five maturity classes. U.S. historical trends are used to estimate the effects of lagged technological development by maturity class.

Piracy rates can vary among applications. Grouping the software applications into three Tiers and using specific ratios for each Tier further refined the ratios. The Tiers were General Productivity Applications, Professional Applications, and Utilities. These were chosen because they represent different target markets, different price levels, and it is believed, different piracy rates.

Software applications installed per PC shipped are researched and estimated using these dimensions:

1. Home vs. Non-Home
2. New PCs vs. Replacement PCs
3. Level of Technological Development
4. Software Application Tier

From this work, a total software applications installed estimate was calculated for each country.

Supply: Data was collected by country and by 26 business software applications. Shipment data was limited in some instances, hence, uplift factors were used to estimate U.S. and world-wide shipments.

Piracy Estimates: The difference between software applications installed (demand) and software applications legally shipped (supply) equals the estimate of software applications pirated. The piracy rate is defined as the amount of software piracy as a percent of total software installed in each country.

Dollar Losses: The legal and pirated software revenue was calculated by using the average price per application. This is a wholesale price estimate weighted by the amount of shipments within each software application category.

To develop the wholesale dollar losses for U.S. software publishers, the wholesale dollar losses due to piracy were reduced by the ratio of the software shipped by U.S. software publishers as a percent of software shipped by all software publishers.

ENTERTAINMENT SOFTWARE

The Interactive Digital Software Association (IDSA) draws piracy rates from numerous estimates provided by member and non-member company representatives, distributors and enforcement personnel based on local market conditions. Separate estimates of piracy rate pertaining to console- and PC-based software are calculated, and then averaged into a single piracy rate based on the prevalence of each platform in the market.

Trade loss figures reported in this 2001 Special 301 Report are preliminary and are based only on partial data samples. These figures are likely to underestimate those to be reported upon completion of our review.

This year's dollar loss figures rely in part on estimates provided by member companies. These estimates are generated using proprietary methodologies that integrate market data of dedicated platform and PC entertainment software in both compact disc and cartridge formats and hardware shipments. These methodologies take into account market conditions including but not limited to the installed base of a given platform (console, PC-based, handheld, etc.) and actual distribution and sales figures.

Dollar loss figures also incorporate inferences from seizure statistics that result from border and other enforcement actions in the countries of production, export and import. These losses are attributed to the country of production where such is known. This aspect of the methodology relies on conservative estimates about the total number of piratical goods produced based on the numbers seized.

The methodology also assumes that piratical goods in the marketplace displace to some degree legitimate product sales. In these instances, displaced sales are multiplied by the wholesale price of legitimate articles rather than the retail price of the pirate goods.

MOTION PICTURES

Many factors affect the nature and effect of piracy in particular markets, including the level of development of various media in a particular market and the windows between release of a product into various media (theatrical, video, pay television, and free television). Piracy in one form can spill over and affect revenues in other media forms. Judgment based on in-depth knowledge of particular markets plays an important role in estimating losses country by country.

Video: As used in the document the term encompasses movies provided in video cassette as well as in all optical disc formats. Losses are estimated using one of the following methods:

1. For developed markets:
 - a. The number of stores that rent pirate videos and the number of shops and vendors that sell pirate videos are multiplied by the average number of pirate videos rented or sold per shop or vendor each year;
 - b. The resulting total number of pirate videos sold and rented each year in the country is then multiplied by the percent of those pirate videos that would have been sold or rented legitimately and adjusted to reflect the US producers' share of the market.
2. For partially developed markets:
 - a. The number of legitimate videos sold or rented in the country each year is subtracted from the estimated total number of videos sold or rented in the country annually to estimate the number of pirate videos sold or rented annually in the country;

- b. The resulting total number of pirate videos sold and rented each year in the country is then multiplied by the percent of those pirate videos that would have been sold or rented legitimately and adjusted to reflect the US producers' share of the market.
3. For fully pirate markets:

The estimated number of pirate videos of U.S. motion pictures sold or rented in the country each year is adjusted to reflect the wholesale price of legitimate videos which equals losses due to video piracy.

TV, Cable and Satellite: Losses are estimated using the following method:

1. The number of TV and cable systems that transmit U.S. motion pictures without authorization is multiplied by the average number of U.S. motion pictures transmitted without authorization by each system each year;
2. The resulting total number of illegal transmissions is multiplied by the average number of viewers per transmission;
3. The number of viewers of these illegal transmissions is allocated among those who would have gone to a theatrical exhibition or who would have rented or purchased a legitimate video. The number of legitimate transmissions of the motion picture that would have been made is also estimated;
4. These figures are multiplied by the producers' share of the theatrical exhibition price, the wholesale share of the video cost or the license fee per legitimate transmission, as appropriate, to estimate the lost revenue from the illegal transmissions.

Public Performance: Losses are estimated using the following method:

1. The number of vehicles and hotels that exhibit videos without authorization is multiplied by the average number of viewers per illegal showing and the number of showings per year;
2. The resulting total number of viewers of unauthorized public performances is allocated among those who would have gone to a theatrical exhibition or who would have rented or purchased a legitimate video. The number of legitimate TV and cable transmissions that would have been made of the motion pictures is also estimated;
3. These figures are multiplied by the producers' share of the theatrical exhibition price, the wholesale share of the video cost or the license fee per legitimate TV, cable and satellite transmissions, as appropriate, to estimate the lost revenue from the illegal performances.

SOUND RECORDINGS AND MUSICAL COMPOSITIONS

RIAA generally bases its estimates on local surveys of the market conditions in each country. The numbers produced by the music industry generally reflect the value of sales of pirate product rather than industry losses, and therefore undervalue the real harm to the interests of record companies, music publishers, performers, musicians, songwriters and composers.

Where RIAA has sufficient information relating to known manufacture of pirate recordings that emanate from a third country, this loss data will be included in the loss number for the country of manufacture rather than the country of sale.

In certain instances where appropriate, RIAA employs economic data to project the likely import or sale of legitimate sound recordings, rather than merely reporting pirate sales. In these instances, projected unit displacement is multiplied by the wholesale price of legitimate articles in that market rather than the retail price of the pirate goods.

BOOKS

The book publishing industry relies on local representatives and consultants to determine losses. These experts base their estimates on the availability of pirate books, especially those found near educational institutions, book stores and outdoor book stalls. A limitation here is that experts can only gauge losses based on the pirated books that are sold; it is impossible to track losses for books which are pirated but not available for public purchase. The trade loss estimates are calculated at pirate prices which are generally (but not always) below the prices which would be charged for legitimate books. Also included are conservative estimates of losses due to unauthorized systematic photocopying of books.