



FOR IMMEDIATE RELEASE
February 18, 2010

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Copyright Industries Urge Greater Global Protection of American Jobs and Exports Threatened by Piracy

*International Intellectual Property Alliance (IIPA) Report Documents
Copyright Theft in 39 Countries*

Washington — The International Intellectual Property Alliance (IIPA) submitted recommendations to the U.S. Trade Representative (USTR) urging increased efforts to stem copyright theft and protect American jobs in the annual “Special 301” review of intellectual property protection and market access issues in foreign countries. The report by the copyright industries making up the IIPA focuses on copyright piracy, the legal and enforcement reforms needed to fight it and other market access barriers in 39 countries/territories. IIPA recommends that 35 of these countries be named to an appropriate USTR watch list. IIPA also sets out the key global challenges facing the copyright industries in 2010 and the U.S. government and industry initiatives that must be taken to meet them.

In commenting on this year’s submission and the Special 301 process generally, IIPA’s Eric H. Smith noted: “With the U.S. economy continuing to shed jobs, our government needs to redouble its efforts to stem massive global theft of U.S. copyrighted works in physical form and on the Internet. The annual Special 301 process is an important tool in reducing piracy losses and re-building U.S. employment in companies critical to our 21st century economy. The U.S. creative industries – business software, entertainment software, film, television and home video entertainment, music, and book and journal publishing – are important drivers of the U.S. economy, contributing substantially to domestic growth and employment, including over \$126 billion annually in revenue from foreign trade. As the Administration has emphasized, increasing exports by reducing trade barriers, like piracy, is essential to our country’s economic recovery and long term growth.”

Smith added, “Senior officials at USTR, the Commerce Department and the State Department, along with their capable staffs in Washington and abroad, have fought tirelessly to ensure that our trading partners respect U.S. intellectual property, improving the investment climate in those countries. This has always been a win-win endeavor for both developed and developing countries. However, given the many economic and financial challenges facing countries and their citizens today, the temptation for individuals and corporations to cut corners and engage in infringing activities may heighten. It is a critical time to generate increased awareness of the importance of creativity and innovation to both national and global economic recovery.”

Overview of IIPA's 2010 Submission to USTR

This year's IIPA submission reflects the copyright industries' grave concern with piracy in all its forms. To meet this challenge, IIPA members are pressing for enhanced international norms, more effective and deterrent enforcement of those norms at the national level, and greater global law enforcement cooperation. IIPA's full submission is posted on the IIPA website at www.iipa.com.

Priority Watch List

IIPA recommends that 10 countries be placed on the Priority Watch List in 2010: **Argentina, Canada, Chile, Costa Rica, India, Indonesia, Mexico, People's Republic of China, the Philippines** and **Russia**. Specifically, IIPA recommends that Mexico and Costa Rica be elevated to this list, and that the Philippines be elevated and that an out-of-cycle review be conducted.

IIPA recommends that the **People's Republic of China** remain on the Priority Watch List. The Chinese enforcement system continues to fail to bring to bear the manpower and resources necessary to deal with widespread piracy, whether corporate end user piracy of software, the online theft of music, movies, books and journals, and entertainment software, or the piracy of books, CDS, DVDs and other "hard goods." Low fines and an inadequate number of criminal cases have failed to deter piracy. At the same time, continuing—and in some cases more onerous—limitations on the ability of U.S. companies to conduct lawful business and to provide access to legitimate content in China have contributed to an unfair environment in which only pirates, or companies who provide access to infringing materials, are permitted to operate. In some cases, market access limitations appear to be aimed at providing leverage to compel transfers of U.S. IP and technology to Chinese entities. Engagement with China must be multifaceted, including through the Special 301 initiative as well as through regular discussions and negotiations in the IPR Working Group in the JCCT process.

Canada merits continued placement on the Priority Watch List. 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. Over 80 countries have joined these treaties, including the European Union and its member states, and virtually all other OECD members. The government's top leaders acknowledged many of these deficiencies and announced their intention to reform the copyright law over three years ago. Yet today there is not even a reform bill pending in the Canadian parliament.

IIPA also recommends that **Russia** remain on the Priority Watch List. In certain areas progress has been made since our last review, while major problems still persist in other areas. We hope that the Administration and the Russian authorities will put IPR protection high on the agenda for urgent and early attention. In 2006, Russia signed a binding intellectual property rights agreement with the U.S., but it has not yet fully implemented that agreement. Piracy rates for many sectors continued at over 70% last year, but some improvement continued in the business software sector. The Russian government needs to continue to improve its criminal enforcement against all forms of copyright infringement. It must also ensure that collecting societies that have received State accreditation operate in a fair and transparent manner that adequately addresses the interests of U.S. and other foreign rights holders, and to take action against rogue societies and the pirate sites that claim to be licensed by them. Russian authorities need to work aggressively to combat camcording in theaters. In short, much remains to be done to achieve adequate and effective IPR protection in Russia and to secure compliance with the 2006 IPR Agreement. IIPA reiterates its interest in working with both governments to achieve these goals.

Watch List and Other Special 301 Recommendations

IIPA asks USTR to place (or maintain) 24 countries on the Watch List. IIPA supports placing **Israel** on the Watch List and lowering **Thailand** and **Pakistan** to the Watch List. IIPA also supports adding **Kazakhstan** to the Watch List this year. IIPA requests that later this year, USTR conduct out-of-cycle reviews of four of the Watch List countries to evaluate their respective progress on specific issues identified in IIPA's reports: **Malaysia, Spain, Thailand** and **Ukraine**.

IIPA is also requesting that USTR give heightened bilateral attention to several more countries/territories that are not recommended for 301 list placement, but raise specific concerns for industry. **Taiwan** was removed from all lists for the first time in ten years in a recent USTR out-of-cycle review decision. IIPA recognizes the improvements Taiwan has made, but requests that USTR continue to carefully monitor its progress, since some key issues remain. IIPA recommended that **Saudi Arabia** be removed from the Watch List during last year's out-of-cycle review. However, piracy levels are the highest in the Gulf region and progress on the benchmarks set out in last year's review submission must continue at a prompt pace or IIPA will recommend its return to the Watch List. Finally, IIPA again recommends that USTR continue to monitor developments in **Paraguay** under Section 306 of the Trade Act of 1974 and engage in regular consultations to effectively implement their bilateral IPR Memorandum of Understanding with the U.S.

Other Priorities for 2010

IIPA commends the Administration for its pursuit of a successful negotiation of the "Anti-Counterfeiting Trade Agreement" (ACTA). This effort capitalizes on the increasing realization by our key trading partners that higher standards of enforcement and greater cooperation among governments is necessary to lower barriers to trade caused by piracy and counterfeiting and to promote global economic recovery. IIPA also supports the commencement in March 2010 of negotiations leading to a Trans-Pacific Partnership FTA, and urges the Administration and Congress to approve promptly the Korea, Colombia, and Panama FTAs. These initiatives are critical vehicles to open foreign markets and encourage free and fair trade for America's most productive companies.

About the IIPA: The International Intellectual Property Alliance (IIPA) is a coalition of seven trade associations -- Association of American Publishers (AAP), Business Software Alliance (BSA), Entertainment Software Association (ESA), Independent Film & Television Alliance (IFTA), Motion Picture Association of America (MPAA), National Music Publishers' Association (NMPA) and the Recording Industry Association of America (RIAA) -- which represent the 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 Contributions of the U.S. Copyright Industries on the U.S. Economy and Foreign Trade: On July 20, 2009, the IIPA released an economic report entitled Copyright Industries in the U.S. Economy: The 2003 - 2007 Report, the twelfth 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, economic growth and trade. The latest data show that the "core" U.S. copyright industries accounted for an estimated \$889.1 billion or 6.44% of the U.S. gross domestic product (GDP) in 2007. These "core" industries were responsible for 22.74% of the real economic growth achieved by the U.S. economy in 2006-2007. In addition, the "core" copyright industries employed 5.6 million workers in 2007 (4.05% of U.S. workers) in 2007. The report also provides data on the estimated average annual compensation for a worker in the core copyright industries: \$73,554, which represents a 30% premium over the compensation paid the average U.S. worker. Finally, estimated 2007 foreign sales and exports of the core copyright industries increased to at least \$126 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 2003 - 2007 Report* is posted on the IIPA website at www.iipa.com.

**IIPA's 2010 SPECIAL 301
RECOMMENDATIONS**

PRIORITY WATCH LIST	WATCH LIST	SECTION 306 MONITORING	OTHER COUNTRIES/ TERRITORIES DESERVING SPECIAL MENTION
Argentina Canada Chile Costa Rica India Indonesia Mexico People's Republic of China Philippines (OCR) Russia (GSP)	Belarus Brazil Egypt Greece Hungary Israel Italy Kazakhstan Kuwait Lebanon (GSP) Malaysia (OCR) Pakistan Peru Poland Romania Singapore Spain (OCR) Tajikistan Thailand (OCR) Turkey Turkmenistan Ukraine (OCR) Uzbekistan (GSP) Vietnam	Paraguay	Hong Kong Saudi Arabia Switzerland Taiwan
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