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**IIPA APPLAUDS THE ADMINISTRATION FOR INITIATING A GSP REVIEW OF
PAKISTAN'S COPYRIGHT PROTECTION AND ENFORCEMENT AND
EXPECTS SWIFT ACTION BY THE BRAZILIAN AND RUSSIAN GOVERNMENTS TO
IMPROVE COPYRIGHT ENFORCEMENT**

**The U.S. copyright industries call on the Administration to review,
in early October, Russia's progress in prosecuting major pirates**

**IIPA urges the U.S. Government to ensure strict compliance with the Dominican Republic's
obligations under the FTA to take immediate action to reduce broadcast piracy
and resolve long-pending criminal cases expeditiously**

Washington, D.C. -- The International Intellectual Property Alliance (IIPA), comprised of six trade associations and their 1,300 companies representing the U.S. copyright industries, applauded the U.S. government's acceptance of its petition to review whether Pakistan provides "adequate and effective protection" for U.S. copyrights as required by the Generalized System of Preferences (GSP) program which provides unilateral duty-free trade preferences to many products from developing countries. In addition, as a result of the President's decision to continue for 90 days the investigation into Brazil's lax copyright enforcement, the IIPA expects the Brazilian Government to significantly lower high piracy rates by taking swift action to improve copyright enforcement. At the end of this period, the U.S. government will evaluate if the Brazilian government has made sufficient progress to warrant its retaining GSP benefits.

Reacting to the Administration's actions, Eric H. Smith, IIPA President, said, "The U.S. government today made a number of decisions regarding whether or not Pakistan, Brazil, Russia, the Dominican Republic, Lebanon, Kazakhstan, and Uzbekistan provide adequate and effective protection to U.S. copyright owners to warrant continuation of these countries' GSP benefits. The IIPA has continually stressed that countries should not continue to receive duty-free trade benefits if they fail to provide adequate and effective copyright protection – a key criterion for receiving these unilaterally-granted benefits. The U.S. Congress has also made clear that countries should not remain eligible to receive such preferential benefits if they fail to take action against the blatant theft of copyrighted materials."

The following are country-specific statements regarding the GSP petitions brought by the U.S. copyright industries:

BRAZIL: Brazil's GSP eligibility has been under review by the U.S. government since January 2001. During that period, high levels of copyright piracy and inadequate criminal enforcement in Brazil have harmed both Brazilian and U.S. creators. IIPA and its members have reported that estimated trade losses due to copyright piracy in Brazil in 2003 alone were \$785 million, or \$2.2 billion during the three full years of this GSP review (2001-2003). At the same time, GSP benefits received by Brazil in 2003 were \$2.49 billion. The initiation of a concerted, national plan to tackle copyright piracy that achieves

tangible results is still missing. A Special Investigative Committee of the Brazilian Congress exhibited significant leadership in investigating piracy, working to ensure raids against notorious retail outlets of piratical goods, bringing to justice one of Brazil's leading organized crime figures fueling optical disc piracy, and completed its task with the release of a report containing numerous recommendations on how to continue the fight against piracy. Unfortunately, congressional action alone is ultimately not sufficient to reduce piracy levels without the full engagement of the Executive Branch. IIPA calls on the Brazilian government – in the next 90 days – to take swift and effective action to improve copyright enforcement. At the end of the stated period, USTR should evaluate Brazil's continued eligibility for such significant benefits, and remove such benefits if major improvements have not been made.

PAKISTAN: IIPA filed its petition on June 13, 2001, and today applauded its acceptance by the U.S. government. Trade losses due to piracy for 2003 were estimated at \$134 million with Pakistan receiving \$91.9 million in GSP benefits. Pakistan has become one of the world's leading producers and exporters of pirated optical discs (CDs, DVDs, VCDs, CD-ROMs) of copyrighted sound recordings, motion pictures, business and entertainment software and published materials. Eight known facilities in Pakistan produced upwards of 180 million discs in 2003, nearly all illegal; most are being exported around the world to at least 46 other countries. The Pakistan government took some cosmetic steps early in 2004 to address the escalating problem (establishing an inter-ministerial group and inspecting and temporarily shutting down several of the optical disc plants), but currently all the plants are back in operation. The Pakistani government has failed to deal fundamentally with piracy, and we call upon the Government of Pakistan to quickly address these issues. Book piracy also remains a serious problem in Pakistan, and other types of piracy (e.g., end-user piracy of business software) must be addressed by the government.

RUSSIA: The review of Russia's GSP eligibility began in January 2001, based on a petition IIPA filed in August 2000 – now four years ago. The piracy problem in Russia has gotten worse since the GSP review began. Our members' losses have increased to \$1.13 billion in 2003 while Russia received \$429.8 million in GSP benefits. Russia has emerged as one of the world's leading exporters of pirate optical disc materials, and Russian manufactured pirate sound recordings, for example, have been seized in over 26 countries. Criminal piracy activities must be addressed immediately by the Russian authorities, and GSP benefits should be withdrawn unless piracy rates are significantly reduced and pirate production eliminated. IIPA urges the U.S. government to monitor closely Russia's copyright enforcement regime over the next few months to see whether Russia: (1) is inspecting each of the 34 known optical disc plants, immediately closing any plant and seizing any machinery found to be used to produce pirate product or operating without a license, as well as criminally prosecuting operators of illegal plants; (2) has set forth guidance for judges to advise the Courts to impose penal sanctions as provided under the penal code as amended (Article 146); (3) is making significant progress on the criminal investigations leading to convictions and deterrent penalties imposed against illegal plant operators and others involved in wide-scale commercial piracy, as well as a pledge to investigate all complaints from copyright owners in respect of commercial replication, distribution or export of pirate optical discs; (4) has adopted the Copyright Law amendments consistent with international copyright and neighboring rights treaties and the WTO TRIPS obligations; (5) is investigating complaints of corporate end-user piracy of computer software and unauthorized hard-disc loading; and, (6) has taken action against websites and their operators offering illegal copyrighted material (as one of many examples, immediately taking down the infamous alloffmp3.com website). The U.S. government should review progress in these areas by early October and if significant progress has not been forthcoming, then withdraw or suspend Russia's GSP benefits.

DOMINICAN REPUBLIC: IIPA is disappointed that the U.S. government today decided to close the GSP review of copyright protection and enforcement in the Dominican Republic. IIPA first filed a GSP petition against the Dominican Republic in 1999, and the U.S. government had continued that investigation for over five years. During 2003, IIPA members lost \$16.6 million while the Dominican

Republic received over 75 million in GSP benefits (and over \$850 million under the CBI duty-free program which contains the same intellectual property criteria). While the U.S. government has entered into a Free Trade Agreement (FTA) with the Dominican Republic, IIPA remains concerned that the promises to halt broadcast piracy and resolve long-pending criminal cases expeditiously – commitments contained in a Side Letter to the FTA – will not be fulfilled in a timely fashion. Unfortunately, since the March 15, 2004 conclusion of the DR-FTA negotiations, several new incidences of blatant broadcast TV piracy have been reported by industry sources, and there has been little progress on the two criminal prosecutions involving broadcast piracy. In addition, these pending criminal cases have not been closed or remain on appeal. Given the U.S. government's decision to close the GSP investigation, there is even greater need for the U.S. government to utilize the procedures foreseen in the FTA side letter to ensure a prompt end to broadcast piracy and an expeditious resolution of these pending cases.

LEBANON: Lebanon has been under a GSP intellectual property rights review since September 2003. IIPA believes the situation in Lebanon warrants immediate withdrawal of its unilateral trade benefits under the GSP program. Among the piracy problems IIPA has previously identified are: 1) cable piracy, in which over 1,000 pirate cable operators serve 60% of Lebanon's population with pirate programming, thereby destroying the local market for audiovisual materials; 2) open and blatant retail piracy of CDs, VCDs, DVDs, CD-ROMs; 3) evidence of production out of one unregulated optical disc plant; and 4) book piracy – including export piracy of scientific, medical and technical materials outside Lebanon. These problems are intractable due in large part to a lack of government will to tackle the challenges, including insufficient allocation of enforcement resources, ineffective results in raids, and non-deterrent sentences in the few cases that do proceed through the judicial system.

KAZAKHSTAN: Kazakhstan has been under a GSP intellectual property rights review since February 2000. IIPA believes the situation in Kazakhstan warrants immediate withdrawal of its unilateral trade benefits under the GSP program. Kazakhstan has not met its commitments under the 1992 U.S.-Kazakhstan Trade Agreement. In particular, there remains a lack of clear protection for pre-existing works and sound recordings and weak enforcement in part caused by ineffective criminal code provisions that set a high burden of proof threshold, resulting in a dearth of IPR enforcement cases. Kazakhstan has not fixed any of these deficiencies and thus remains in violation of its bilateral agreement obligations, remains woefully short of its World Trade Organization TRIPS Agreement enforcement obligations, and clearly fails to meet the GSP eligibility criterion on intellectual property.

UZBEKISTAN: Uzbekistan has been under a GSP intellectual property rights review since February 2000. IIPA believes the situation in Uzbekistan warrants immediate withdrawal of its unilateral trade benefits under the GSP program. Uzbekistan has not met its commitments under its 1992 Trade Agreement with the U.S. Uzbekistan is neither a member of the Berne Convention nor the Geneva Phonograms Convention and thus does not provide any protection or rights to U.S. or other foreign works or sound recordings—nine years after it agreed to make basic changes in its law and enforcement regime. Uzbekistan has created an environment ripe for organized crime syndicates to commence large-scale operations there or to move them from other countries in the region that are offering some enforcement protection. Its law provides no criminal penalties for IPR violations and essentially no enforcement regime, including border enforcement.

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The IIPA is a private-sector coalition formed in 1984 to represent the U.S. copyright-based industries in bilateral and multilateral efforts to improve international protection of copyrighted materials. IIPA's six member associations represent 1,300 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 CDs and cartridges, personal computer CD-ROMs and multimedia products); theatrical films, television programs, home videos and digital representations of audiovisual works; music, records, CDs, and audiocassettes; and textbooks, tradebooks, reference and professional publications and journals (in both electronic and print media). To view more detailed information on IIPA members and on the GSP trade program, visit the IIPA website at www.iipa.com.