

INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE

2001 SPECIAL 301 REPORT

ITALY

EXECUTIVE SUMMARY¹

With the passage of the Anti-Piracy Bill (“AP Law”) in July 2000, there is increased hope that Italy’s massive piracy problem can finally be reduced. However, the law became effective on September 19 and, while the preliminary indications are that the law is becoming more aggressively enforced, more time is needed to determine whether it will be fully implemented, including the imposition of the new higher level fines and jail terms, and whether appropriate regulations will be issued.

Piracy rates exceed 20% and higher across the board – still among the highest rates in Western Europe.

USTR reviewed Italy’s Special 301 status in September 2000 and lowered it to the Watch List in recognition of the passage of the AP Law. But the jury remains out on whether the Italian authorities will fully and aggressively implement the new law, though initial indications are positive. Incorporating real deterrence into the Italian legal system remains the key enforcement issue.

IIPA is also concerned that Italian officials may not implement appropriate regulations – or apply those regulations in an appropriate way – to exempt high technology products (particularly software) from a burdensome and TRIPS-inconsistent “stickering” provision of the new law. For all these reasons, Italy should remain on the Watch List in 2001, and an out-of-cycle review should be conducted within six months to determine whether significant progress on these outstanding issues has been made.¹

¹For more details on Italy’s Special 301 history, see IIPA’s “History” Appendix to filing.

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										
Motion Pictures	140.0	20%	160.0	25%	200.0	30%	220.0	30%	278.0	35%	294.0	40%
Sound Recordings / Musical Compositions	50.0	25%	60.0	25%	60.0	20%	60.0	20%	51.0	22%	128.0	33%
Business Software Applications ²	NA	NA	338.4	44%	276.5	45%	216.4	43%	291.9	58%	386.5	61%
Entertainment Software ³	NA	52%	60.9	52%	58.2	50%	61.8	53%	65.0	55%	73.0	52%
Books	23.5	NA	23.0	NA	21.0	NA	20.0	NA	20.0	NA	20.0	NA
TOTALS	213.5		642.3		615.7		578.2		705.9		901.5	

COPYRIGHT PIRACY IN ITALY

While Italy is to be commended for passing the long-awaited Anti-Piracy Bill in 2000, piracy rates in Italy across all industries remain at 20% or higher, as has been true for the last 10 years. These high piracy levels have been fueled by Italy's having had among the lowest statutory criminal penalties in Western Europe and a judicial system infamous for crushing delays. This had been combined with a national attitude, reflected in the Judiciary, that even serious economic crime does not deserve high fines and jail terms where intellectual property is concerned. The AP Law contains all the elements necessary to start the downward trend in piracy rates and losses, with higher maximum criminal penalties making it a serious crime, clarification of the criminality of business end-user piracy, the addition of administrative sanctions and a number of other provisions specifically targeted at copyright piracy. IIPA and its members have praised the Italian government for finally taking this important legislative action, but the copyright industries remain concerned about implementation and the failure to date to further fix certain deficiencies by regulation that seriously impact the business software industry. On the positive side, however, as will be discussed below, enforcement actions by the authorities have increased, and in some cases, significantly, following passage of the AP Law.

Video piracy of motion pictures before and during their Italian theatrical release remains a serious piracy problem in 2000 and continues to cause the film industry's highest losses in Western Europe. The rate of piracy has not come down and remains at 20% in the northern region, and 30%-40% in the south. Pirates normally use stolen theatrical prints as masters, or they duplicate directly from cinema screens. The areas of Italy most affected by this kind of piracy are Campania and Lazio, Puglia, Calabria and Sicily in the south, as well as Veneto and Lombardy in the north. Organized criminal groups dominate this prerelease video piracy. Back-to-back copying of videos for copy depth in video shops is also a persistent problem, particularly in the high demand period immediately after a title's video release.

²BSA loss numbers for 2000 are preliminary.

³ IDSA estimates for 2000 are preliminary.

Other problems facing the motion picture industry include unauthorized public performances in social centers and private clubs both of pirated prints of theatrical films and of rented and purchased videos; broadcast TV piracy, particularly in southern Italy and Sicily; and significant growth of satellite signal theft of commercial pay television. The two Telepiù terrestrial channels (Telepiù White and Telepiù Black) and the three Telepiù satellite channels (Telepiù White, Telepiù Black and Telepiù Grey) and their digital "bouquet" "D+", as well as other encrypted satellite channels from abroad, are received and descrambled without authorization using illegal decoders and smart cards. The trade in illicit smart cards has increased significantly over recent years, and more pressure from pirates on the legitimate industry is expected.

Piracy of sound recordings, both locally manufactured pirate cassettes and local and imported pirate CDs, remains at 25%, the same as in 1999 and still the second highest in Western Europe. Especially in the south (Naples area), organized criminal gangs are responsible for most of the audio as well as video piracy. The music industry is plagued by major imports of pirate product from countries like Ukraine and increasing use of CD burners to produce pirate product. Much of the piracy is associated with the Camorra and other Mafia gangs in southern Italy, and involves major CD-R "factories" with an intricate distribution network including "megastores" in which the front men operating retail facilities are paid by these gangs to "take the rap" when raids are conducted and arrests made.

Piracy of entertainment software has continued at high levels, both in sales of hard copies of PC and console games, as well as through persistent hacking and Internet piracy. This piracy is also under the tight control of the Mafia, not just in the South but throughout Italy. The entertainment software industry experiences, like the music industry, high levels of importation of pirate product into Italy from production centers in Eastern Europe, the C.I.S. and Asia, particularly Ukraine, Russia, and Malaysia with Malta and Croatia continuing as transshipment points for pirate game product.

Internet piracy continues in 2000 as the Web penetrates Italian society. There appears to have been little enforcement in this area to date.

Piracy of business applications software by corporate end-users -- the major concern of and problem for the business software industry in Italy -- remains among the highest in Europe. As described below, however, there have been recent positive developments on the enforcement front since passage of the AP Law. However, these gains could be substantially eroded, if not nullified, by a burdensome and TRIPS-inconsistent provision of the new law that Italian officials are interpreting to require that certain software products bear a sticker of the Italian collecting society, SIAE, in order to benefit from the protections afforded by the new law. This issue is discussed in greater detail below.

Wide - scale photocopying piracy has been a constant problem in Italy and has gotten noticeably worse every year. This is due to the failure of the enforcement authorities to take action. Frustrated by the breadth of the problem and the failure of the government to combat it, the publishing community sought and received in the new AP Law the authority to require remuneration for the act of photocopying. Thus, the new AP Law now requires payment per photocopy made. An accord was signed between the copy shops and the Italian Publishers' Association on December 18, 2000, setting payments at 65 lire (\$0.0311) per page after January 1, 2001. This will increase to 85 lire (\$0.0407) per page from September 1, 2000 and increase every year until 2005, when it will be 135 lire (\$0.0646) per page. No agreement has yet been reached with librarians, so copying in universities continues. It is hoped that this agreement will be reached shortly, and that the situation in 2001 will improve for the book market.

All these industries are also united by the common problem of a judicial system that is in dire need of reform so that caseloads can be reduced and brought to final judgment. Italian judges must also take more seriously the need to set deterrent – level fines and, in particular, significant jail time for major organized crime elements. With the increased penalties, the judges have the tools. The question is whether they will be used. While the Anti-Mafia police and prosecutors have generally done a good job in raiding and prosecuting organized crime, resources are insufficient and the courts have been a continuing problem.

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Criminal Enforcement and Italy's TRIPS Obligations

Effective criminal enforcement has been hindered for years by the weakest statutory criminal penalties in Western Europe and the continued unwillingness of judges to impose them. Now, with the significant increases in statutory penalties, Italy is poised to attack the piracy problem anew with the proper tools. Police have generally been cooperative despite the frustration of criminal cases rarely being concluded, or any eventual penalties being so low that there is virtually no disincentive to be in the piracy business. It remains to be seen whether under the AP Law, the judges will impose these new penalties as a precondition for the piracy rates and losses to begin falling in Italy. All industries use the criminal system; the civil system is even slower and less efficient.

The new AP Law raises maximum fines from 3 million lire (\$1,450) to 30 million lire (\$14,505). Minimum prison terms are increased from three months to six months but still, may be suspended at this higher level. Maximum prison terms are raised from three to four years, rendering piracy a more serious crime as a result. In a precedent – setting decision, the Parliament established consumer fines in the law for possessing infringing material, to be imposed instantly, of 300,000 Lire (\$145).

Despite these salutary changes, there remain many enforcement deficiencies common to all industries:

- Failure to impose deterrent criminal penalties in commercial piracy cases: Before the new AP Law, Italian courts did not impose even close to the maximum penalties now available resulting in minimal deterrence to infringement. This was often the result of plea bargains agreed by prosecutors anxious to remove cases from their workload. Before the new Law, penalties *actually* imposed on pirates remained among the lowest in the EU. When jail terms were imposed, they are nearly always suspended or, in past years, pirates were subject to general amnesties, reducing the deterrent effect of these actions. Perhaps most pernicious was that recidivism was rampant with examples of pirates being convicted numerous times with no increase in penalties. The recording industry gives the example of one person in Naples having been denounced 84 times. In order for Italy to meet its TRIPS obligations, the prosecutors and judges must ensure that the new penalty structure is *actually* implemented. So far most industries have little evidence that this has happened.
- Absence of expeditious criminal remedies and avoiding unwarranted delays: Under the old law and continuing in 2000, it takes many months following a raid before charges are filed commencing a criminal case in court. Rightsholders often have difficulty obtaining

any information about the progress of cases and learn of plea bargains months or years after the fact with no opportunity for comment. This is reflected in the absence of reports from industry on the actual progress of criminal cases. Once filed these cases can drag on, often taking two to three years or more, significantly reducing the deterrent value of any increased raiding activity undertaken by the police. When the case gets too old (five years), it is simply dismissed. Defendants are aware of this five-year limit within which to conclude the case and their lawyers merely delay the proceedings until this limit is reached. This failure violates TRIPS Article 41.

- Conditioning criminal remedies for software infringement on using an SIAE sticker: The new AP Law in Article 13 may be misinterpreted to legalize all pirate software that merely bears a SIAE sticker. Worse, the criminal remedies provided in the current version of Art. 171*bis* for software infringement are arguably not available if a work does not bear the SIAE sticker. As discussed further below, this sticking requirement violates several provisions of the TRIPS Agreement by constituting an impermissible formality to copyright protection, denying the availability of efficient criminal remedies in cases of copyright piracy, and erecting a costly barrier to legitimate trade.

Italy has not been in compliance with its TRIPS enforcement obligation for years, with respect to low criminal penalties in its law, the failure to impose deterrent penalties, and long delays and cumbersome court processes. The AP Law solves the first of these problems but the others remain. These new penalties must be applied in practice and judicial reform must be taken seriously. As was recommended in last year's submission, Italy should establish a national, well coordinated antipiracy campaign. Such a campaign would be instrumental in establishing the proper atmosphere, as would the establishment of regional coordination groups in each prefecture with the participation of special IPR – trained prosecutors. All of these initiatives must be supported by an extensive public information campaign to convince enforcement authorities and the public of the damage being done to the Italian economy from failing to effectively fight piracy.

The deficiencies in the Italian criminal enforcement system, which IIPA and its members hope will be remedied as the AP Law is implemented, are perhaps best illustrated by the following partial enforcement statistics:

**CRIMINAL COPYRIGHT
ENFORCEMENT STATISTICS
2000**

ACTIONS	MPA	IFPI	BSA	TOTAL
Number of Raids conducted			257	257
Number of indictments filed		309	130	439
Number of defendants convicted (including guilty pleas)	19		NA	19
Ratio of convictions to the number of raids conducted			NA	
Ratio of convictions to the number of indictments			NA	
Total number of cases resulting in jail time			NA	
1 to 12 months	12			12
13 to 24 months	5			5
25 to 36 months				
37 to 60 months				
Over 61 months				
Number of cases resulting in criminal fines	2			2
Total amount of fines levied				
US\$0-\$1,000				
\$1,001-\$5,000				
\$5,001-\$10,000				
\$10,000 and above				
Total amount of restitution ordered) in how many cases (e.g. \$XXX in Y cases)				

The motion picture industry reports that in the 24 criminal cases in which FAPAV assisted the prosecutor and that ended in 2000, 71% resulted in a prison term and virtually every sentence was suspended. Only 8% of the convictions resulted in fines (or jail terms commuted to fines) and 21% were acquittals. 50% of the cases involving fines resulted in fines of less than L 600,000 (\$285).

The recording industry reported a major victory in September with the arrest of a major and long-sought-after Mafia boss, Ettore Bosti, the nephew of the emerging Camorra gang leader Patrizio Bosti. The operation was led by the military police and led to the seizure on an entire CD-R plant and 120 CD burners, 15,000 inlay cards, 10,000 CDs and 10,000 jewel cases. Three other high-level gang members were also arrested. Over all of 2000, the industry reported seizing 798,927 CDs, 115,307 audiocassettes, 593 CD burners. Ninety-six people were arrested and 309 cases were commenced. The industry reports that actions in the last four months of the year 2000, particularly against street vendors, increased 600%, holding out considerable hope

that the new AP Law will result in reduced piracy levels in the future, which remain the same as last year at 25% of the market.

The business software industry reports some positive developments on the criminal enforcement front. In 2000, the Guardia di Finanza, the national fiscal police, demonstrated an unprecedented level of support for the business software industry, conducting roughly 250 criminal raids throughout the nation (mostly on a regionalized basis), with strong industry support. Local carabinieri and the national Telecommunications Police also engaged in substantial criminal enforcement activities directed at software pirates -- including a carabinieri sweep of one entire city's suspected end-user population. In all, roughly 130 individuals were charged with criminal piracy and counterfeiting of business applications software in Italy last year, and hundreds of thousands of illegal products were seized and destroyed. Much of this increased activity occurred in the fourth quarter of the year, after the AP Law took effect. Efforts in the South produced noticeably improved results over prior years. And overall, several industry members did notice appreciable gains as the year wound to a close. Unfortunately, however, the lack of transparency to the software industry in the criminal system has not permitted accurate cataloging of the progress of a case and the fines and jail terms ultimately imposed.

Nonetheless, as noted above, business software piracy rates remain too high; and the business software industry also suffered some setbacks in 2000. For example:

- A highly regarded court in Turin refused to recognize the *per se* criminality of business end-user piracy, a problem hopefully cured by the new AP Law but that should have been clear even under prior law. (Notably, the court helpfully modified its reasoning after the industry voiced objections, but the concern remains, and prior courts likewise have experienced this unhappy result.)
- A high-impact national television campaign designed to dispel complacency and alert the public to the increased criminal penalties imposed by the new AP Law was deemed unfairly intimidating and misleading, because the crime depicted -- business end-user piracy -- was not deemed likely to result in imprisonment (as depicted) and may not (under erroneous interpretations) even be a crime. Indeed, the industry continues to report that criminal sentences are suspended virtually as a matter of course, even since the enactment of the higher, new penalties in the AP Law.

Civil Enforcement

Civil enforcement is also slow, cumbersome and difficult in Italy. The law does provide for effective search and seizure orders, which are usually granted one to two weeks after the petition has been filed. However, to obtain definitive injunctive relief and/or compensation for damages, plaintiffs are obliged to commence full-fledged proceedings on the merits, which have often been paralytically slow and difficult, despite the recent modification of the civil procedural code. Furthermore, Italian courts still award damages on the basis of the "reasonable royalty" or "license fee" criteria, which lack any deterrent effect, as the infringer still benefits from his misdeeds. However, in one recent software piracy case in Milan, a court did award civil damages at full retail price and further, deemed the illegal reproduction and use of the software to be morally compensable in an equivalent sum. Whether this decision becomes a trendsetter remains to be seen.

The software industry does report, however, that in the latter part of the year, civil enforcement improved in efficiency in the issuance and execution of civil search orders and in the closure of cases on acceptable terms. But there were also some bad results:

- The High Court of Rome refused to award damages after a finding of infringement in a case dating from 1998, concluding that compelled deletion of the illegal software was itself a sufficient remedy and a form of rightholder compensation.
- A civil court in the North imposed a prohibitive bond requirement (c. \$250,000) for the issuance and execution of a search order against a major local employer and curiously limited the scope of evidence obtainable under the search order to exclude licenses and invoices.

Overall, the civil court system remains in need of reform. Among the problems are:

- Absence of expeditious civil remedies and unwarranted delays: The civil courts still remain notoriously slow, with cases taking up to six years to reach a decision on the merits. There appear to be no statutory deadlines and inordinate delays in civil cases have substantially undermined the deterrent effect such actions might otherwise have.
- Lack of deterrent civil damages: As noted above, there are concerns that Article 2043 of the Italian Civil Code, concerning how civil damages are measured may not permit, in software end-user cases, damages which exceed the lost profit to the right holder -- a measure that is inadequate to deter infringers. Profit to the *infringer* may not be recoverable. To the extent that this reading of the law prevails, Italy is in violation of TRIPS articles 41 and 45, as piracy remains a rational business for infringers.

Civil case statistics from the business software industry are shown below.

**CIVIL COPYRIGHT
ENFORCEMENT STATISTICS
2000**

ACTIONS	BSA
Number of civil raids/searches conducted	7
Post Search Action	
Cases Dropped	2
Cases Settled	8
Cases Adjudicated	4
Value of loss as determined by Court (\$USD)	\$20,900 ⁴
Judgment Amount (\$USD) in how many cases (e.g. \$XXX in Y cases)	\$20,900; 4 ³
US\$0-\$1,000	
\$1,001-\$5,000	
\$5,001-\$10,000	
\$10,001-\$20,000	
\$20,001-\$50,000	
\$50,001-\$100,000	
\$100,000 and above	
Settlement Amount (\$USD) in how many cases	\$105,000

⁴Inclusive of cost awards; also note that one of four judgments reported provided for no damages, as discussed in the accompanying text.

COPYRIGHT LAW DEVELOPMENTS

Need to Fully Implement the AP Law and Adopt Regulations Eliminating the SIAE Sticker Requirements for Software

Passage of the AP Law with its various copyright law amendments and correcting the other TRIPS enforcement deficiencies constituted a major advance in the long fight against piracy in Italy. That law made a number of substantive, enforcement and administrative reforms:

- In reforming the criminal provisions, the AP Law provides prosecutors with a comprehensive array of possible charges. The offense of commercial production, distribution and exhibition of infringing copies is extended by the prohibition of importation of possession of infringing copies with intent to sell, distribute, transmit or exhibit.
- New offenses are created of producing, importing, selling (or possessing for sale) devices for defeating copy protection or decoders permitting access to encrypted programming without due payment. The unauthorized retransmission of encrypted programming is made an offense. The promotion, importation, sale and use of decoders for circumventing conditional access to transmissions, analogue or digital, also become offenses, whether the use intended is public or private. If no more serious violation is involved, the mere use of a pirate copy of a work or sound recording, or the reception of a transmission infringing copyright, attracts an administrative penalty of 300,000 lire (\$145), confiscation of any infringing materials and the publication of the offender's name in a national newspaper. Where the offender has a previous record for such violations or the case involves a large-scale infringement, the penalty may be as much as 2,000,000 lire (\$967), with revocation of any applicable trading licenses.
- The maximum punishment for unlawful commercial duplication or distribution of works goes up from three years, imprisonment and a 6,000,000 lire (\$2,900) fine to four years and a fine of 30,000,000 lire (\$14,504).
- The court is required in every case to confiscate infringing copies, together with any tools or materials used in the commission of the crime. In addition, the convicted offender can be prohibited from carrying on a specified trade or from being a company director. Where applicable, any broadcasting license he holds may also be suspended for one year.
- The promotion, sale and installation of illegal circumvention devices attract imprisonment from six months to three years and a fine of 5,000,000 to 50,000,000 lire (\$2,417 to \$24,174). Where the facts of the offense disclose aggravating features, the court must impose a sentence of at least two years' imprisonment and a 30,000,00 lire (\$14,504) fine.
- With this significant strengthening of criminal and administrative penalties, IIPA and its members have some reason to be hopeful that a downward trend in piracy rates will

result. Moreover, this general increase in the severity of penalties comes with an incentive for cooperation from the criminal: If he voluntarily reports his offense, or provides information permitting the identification of ringleaders or the substantial seizure of infringing products, the main penalties may be reduced by one-third to one-half. This immunity/plea bargain analogue may prove very important in helping to conclude cases more expeditiously.

- Without prejudice to the criminal sanctions, an administrative penalty may also be imposed in respect of the offending conduct equal to twice the market price of the copy and in any event not less than 200,000 lire (\$97). Where the market price is uncertain, a penalty in a sum between 200,000 and 2,000,000 lire (\$97 and \$967) may be imposed.

As noted earlier, book piracy is now subject to the criminal provision and photocopying in commercial copy shops as well as within educational institutions is now subject to remuneration to the copyright owners.

Unfortunately, these positive reforms do not tell the whole story. The AP Law contains a provision that could essentially nullify many of the law's otherwise helpful provisions with respect to the software industry. Article 10 contains an extremely burdensome requirement that could require software producers to physically place a sticker on each work sold in Italy -- or else potentially forfeit their right to pursue criminal remedies against infringers of their works. Even worse, legitimate producers who fail to "sticker" products are themselves subject to severe criminal penalties. Thus, absent an exemption for business software products as contemplated under the law, the owners of perfectly legitimate copyrighted works will be subject to criminal sanctions, while pirates who wish to copy and sell such works without authorization are potentially not liable under Art. 171*bis* of the law.

In addition to turning the notion of effective copyright enforcement on its head, the sticker provisions of the law violate several provisions of the TRIPS Agreement, namely articles 9, 41 and 61. Article 9 of TRIPS requires compliance with the provisions of the Berne Convention, including Article 5(2), which prohibits countries from subjecting the "enjoyment and the exercise" of copyright rights to any formality. Italy's sticker requirement, as well as its associated fee, represent a prohibited formality. Moreover, given the unavailability of effective criminal remedies to enforce a copyright on unstickered works, the sticker requirement also violates articles 41 and 61 of the TRIPS Agreement. Finally, the burden imposed by the requirement makes criminal enforcement unnecessarily complicated and costly, and creates a barrier to legitimate trade, contrary to the requirements of TRIPS Article 41.

In addition to its TRIPS inconsistency, the sticker requirement has absolutely no logical relationship to the business software industry. There is no collective administration of business software copyrights in the EU. The industry is not represented by SIAE (the quasipublic royalty collections agency charged with implementing the sticker regime), nor do business software copyright owners receive any royalties from this agency.

For this reason, the Italian legislature recognized that the sticker scheme should not be extended to business software by proposing an exemption for a category of computer programs that would include business software. Article 10(4) of the law provides that, subject to regulations published by the Presidential Council, following consultations with the involved parties (i.e., SIAE and the high technology industry), "the sticker-label . . . may not be placed on carriers containing computer programs" . . . that are (1) used only on a computer; and (2) do

not contain sounds, voices or sequences of moving images that [a] constitute entire phonographic, cinematographic or audio-visual works, not expressly produced for such programs, or [b] excerpts or parts thereof that exceed 50% of the entire work so excerpted." These regulations are scheduled to be published on March 19, 2001. A broad coalition of high-technology industries in Italy has held extensive discussions with SIAE officials over the past several months to develop a consensus that would implement the exemption contemplated in the AP Law. As of the date of this submission, negotiations with SIAE are ongoing and industry remains hopeful that a solution can be reached. IIPA believes that the U.S. government should, as soon as possible, convey to Italian authorities the importance of the issuance of an appropriate regulation exempting business software from the sticker requirement and associated TRIPS-inconsistent formalities. Furthermore, if the negotiations with SIAE do not result in a TRIPS-compatible solution to this problem, the U.S. government should also take steps to pursue its remedies in the WTO.

Related Legislative Issues

As IIPA noted in previous submissions, a question remains unresolved following implementation of the EU Duration Directive and the Rental Directive. With respect to non-European sound recordings, the decree implementing the Duration Directive is silent with respect to protecting pre-existing non-European sound recordings. With the entry into force of TRIPS, Italy is obligated to protect sound recordings made since 1950 whose term of protection has not already expired in the country of the recording's origin.

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Having adopted the AP Law, Italy must now implement it fully, including adopting implementing regulations which fix the SIAE sticker problem for the business software industry. Enforcement should proceed in a TRIPS-compatible manner with deterrent penalties. Enforcement should be targeted also at the piracy by organized criminal enterprises in the South and the full panoply of new remedies applied against the real owners and operators of pirate enterprises. Judicial reform should be expedited to chip away at the long delays that have caused problems not only in the anti-piracy area, but which have made Italy's system a subject of scrutiny within the entire EU. IIPA recommends that Italy remain on the Watch List for 2001, and that an out-of-cycle review be conducted within six months to gauge progress on the issues raised in this filing.