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**International Intellectual Property Alliance (IIPA)
 Submits to the U.S. Trade Representative its Report on
 Copyright Piracy in 48 Countries**

*China, Russia and Canada remain key problem countries
 Piracy costs America many thousands of much-needed jobs*

Washington — The copyright industries that make up the International Intellectual Property Alliance (IIPA) submitted their recommendations to the Office of the U.S. Trade Representative (USTR) today in the annual “Special 301” review of intellectual property protection and market access issues in foreign countries. IIPA’s submission discusses copyright piracy, the legal and enforcement reforms needed to fight it and other market access barriers in 48 countries/territories. IIPA recommends that 39 of these countries be named to an appropriate USTR watch list. IIPA also sets out the key global challenges facing the copyright industries in 2009 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 shedding jobs at an alarming rate, our government needs to redouble its efforts to stem massive global theft of U.S. copyrighted works in physical form and on the Internet. Piracy causes significant economic losses to our country, undermining industries and companies that historically have generated new jobs at a rate two to three times greater than that of our economy as a whole. The annual Special 301 process is a critical 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 and entertainment software, film, television and home video entertainment, music and recording, and book and journal publishing – are important drivers of the U.S. economy, contributing substantially to domestic growth and employment, including over \$110 billion annually in revenue from foreign trade.”

Smith added, “We look forward to working closely with the Obama Administration to save and create jobs in some of America’s most productive industries. Senior officials at USTR, the Commerce Department and the State Department, along with their capable staffs in Washington and abroad, have always fought tirelessly to ensure that our trading partners respect U.S. intellectual property and to improve the climate for investment, jobs and growth in those countries. Preserving the viability of our IPR-based industries is an even higher priority today.”

Overview of IIPA’s 2009 Submission to USTR

This year’s IIPA submission reflects the copyright industries’ grave concern with the explosive growth of online and mobile piracy, and the continuing problems in the hard goods/physical piracy world. 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.

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 countries in the IIPA submission, estimated losses reported by the business



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software and recording industries (losses for 2008 were unavailable for other industries) conservatively totaled \$18.4 billion in 2008. A table of IIPA's Special 301 recommendations, including estimated trade losses and piracy levels for most industry sectors, is attached to this release and also posted on the IIPA website at www.iipa.com.

Priority Watch List

IIPA recommends that 13 countries be placed on the Priority Watch List in 2009: Argentina, Brunei, Canada, Chile, Egypt, India, Indonesia, Mexico, Pakistan, People's Republic of China, the Philippines, Russia, and Thailand. Specifically, IIPA recommends that **Canada, Mexico, Egypt, Indonesia, the Philippines and Brunei** be added or elevated to this list this year.

IIPA recommends that the **People's Republic of China** remain on the Priority Watch List. Engagement with China has been multifaceted during 2008. Following some Chinese government reluctance to engage in 2007 and early 2008 after the filing of two WTO cases in April 2007, IIPA is pleased to note improved engagement as 2008 drew to a close. However, the situation for copyright industries in China has changed little. As reflected in today's submission, China's many publicly announced campaigns and enforcement actions have not had a measurable deterrent effect in the marketplace and piracy rates remain at very high levels. To bring down piracy levels, it is essential that China take deterrent criminal actions against pirates, for whom the usually small administrative fines are often ineffective. Online and mobile piracy have become huge problems, with China's Internet-connected population having reached 298 million at the end of 2008, and with over 600 million mobile phones and other mobile devices in the marketplace. The Chinese government thus far has failed to prevent major companies like Baidu from operating businesses predicated on providing access to infringing materials. Other companies, like Kangjian Shixun in the academic context, are following suit. China must devote sufficient resources to combat these rapidly advancing forms of piracy. China has made a number of key commitments in the JCCT process. Implementing those commitments fully would assist in driving down piracy rates.

Canada continues to merit elevation to 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, and to which virtually all other OECD members have adhered. Although the government's top leaders acknowledged many of these deficiencies and the need for copyright reform over two years ago, such reform has not been undertaken.

IIPA also recommends that **Russia** remain on the Priority Watch List. In certain areas progress has been made since our last review, but in other areas major problems persist. We hope that the new 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. In 2008, Russian law enforcement officials conducted a substantial number of criminal enforcement actions, including raids against warehouses, retail establishments, and some optical disc production facilities. These activities and those of the past several years have resulted in a significant decline in business software piracy, and a modest decline in physical (hard copy) piracy for some of the other copyright industries. Nevertheless, serious problems persist. Piracy rates for many sectors continued at over 70% last year, resulting in staggering losses to the local and U.S. industries. More enforcement actions are needed in the physical environment, and, given the rise in Internet piracy for all industries, in the online environment. The Russian government needs to provide a clear structure for the operation of legitimate collecting societies, and to take action against rogue societies and pirate sites. 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.

Other Recommendations

IIPA asks USTR to place (or maintain) 25 countries on the **Watch List**. IIPA supports moving **Israel** to the Watch List from the Priority Watch List. In addition, IIPA believes that the following countries should be added to the



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Watch List this year for recent troubling legislative and/or enforcement developments in their respective markets: **Sweden, Bulgaria and Kazakhstan.**

IIPA requests that later this year, USTR conduct out-of-cycle reviews of three Watch List countries to evaluate their respective progress on specific issues identified in IIPA's reports: **Spain, Saudi Arabia, and Malaysia.**

IIPA is also requesting that USTR give heightened bilateral attention to nine countries/territories, not recommended for 301 list placement, but that pose specific problems 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 Taiwan for the improvements it has made, but requests USTR to continue to carefully monitor its progress, since some key concerns remain.

Finally, IIPA acknowledges **Paraguay** for its ongoing enforcement efforts, but longstanding systemic deficiencies remain. Because more effective work is needed in-country and at the borders, IIPA again recommends that USTR continue to monitor developments in Paraguay under Section 306 of the Trade Act of 1974.

IIPA's Key Global Challenges for 2009

Technological advances require continual examination by governments of laws and enforcement tools to ensure that they promote legitimate services providing online delivery of creative content, while deterring use of that content without permission or compensation to its creator. This is the only way to unleash the full potential of these technologies in a way that benefits creators and consumers alike. As copyright piracy operations by organized criminal syndicates become more sophisticated, and as they continue their high profit-low risk pirate enterprises, the copyright industries must also look to governments to take leadership through enactment and implementation of strong organized crime legislation. Continued efforts to legalize government enterprises, whether through use of legitimate software in government institutions or control of piracy on government-funded university campuses, are key to success. Finally, there exists a strong connection between a country's willingness to open its market to legitimate copyright businesses and its ability to combat piracy effectively. Where there are unjustifiable impediments to the importation and/or distribution of legitimate products, or to the commercial establishment of companies involved in the creation, manufacture or distribution of such products, criminal operations fill the void with illegal product.

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: IIPA is in the process of updating its economic report, and hopes to issue this new report in mid-2009. The most recent report issued was two years ago. 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.

IIPA 2009 "SPECIAL 301" RECOMMENDATIONS
 2007 and 2008 ESTIMATED TRADE LOSSES DUE TO COPYRIGHT PIRACY
 (in millions of U.S. dollars)
 and 2007-2008 ESTIMATED LEVELS OF COPYRIGHT PIRACY

| | Business Software ¹ | | | | Records & Music ² | | | | Motion Pictures | | | | Entertainment Software ³ | | | | Books | | Totals | |
|-------------------------------|--------------------------------|--------|--------|------|------------------------------|-------|--------|------|-----------------|------|--------|------|-------------------------------------|-------|--------|------|-------|-------|--------|--------|
| | Losses | | Levels | | Losses | | Levels | | Losses | | Levels | | Losses | | Levels | | Loss | Loss | Loss | Loss |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| PRIORITY WATCH LIST | | | | | | | | | | | | | | | | | | | | |
| Argentina | 265.0 | 222.0 | 75% | 74% | 75.1 | 84.7 | 60% | 60% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 340.1 | 306.7 |
| Brunei | NA | NA | NA | 85% | 2.4 | 2.4 | 100% | 99% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 2.4 | 2.4 |
| Canada | 742.0 | 696.0 | 32% | 33% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 742.0 | 696.0 |
| Chile | 109.0 | 103.0 | 66% | 66% | 21.0 | 29.6 | 66% | 44% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 130.0 | 132.6 |
| Egypt | 81.0 | 72.0 | 59% | 60% | NA | 15.0 | NA | 75% | NA | NA | NA | NA | NA | NA | NA | NA | NA | 32.0 | 81.0 | 119.0 |
| India | 1060.0 | 1013.0 | 66% | 69% | 36.2 | 13.8 | 55% | 55% | NA | NA | NA | NA | NA | 129.9 | NA | 89% | NA | 38.0 | 1096.2 | 1194.7 |
| Indonesia | 302.0 | 226.0 | 86% | 84% | 20.0 | 20.2 | 95% | 92% | NA | NA | NA | NA | NA | NA | NA | NA | 32.0 | 322.0 | 278.2 | |
| Mexico | 497.0 | 460.0 | 60% | 61% | 419.7 | 527.0 | 80% | 71% | NA | NA | NA | NA | NA | 273.0 | NA | 88% | NA | 41.0 | 916.7 | 1301.0 |
| Pakistan | 77.0 | 63.0 | 85% | 84% | NA | 25.0 | NA | 100% | NA | NA | NA | NA | NA | NA | NA | NA | 55.0 | 77.0 | 143.0 | |
| People's Republic of China | 2940.0 | 2999.0 | 79% | 82% | 564.0 | 451.2 | 90% | 90% | NA | NA | NA | NA | NA | NA | NA | 95% | NA | 52.0 | 3504.0 | 3502.2 |
| Philippines | 105.0 | 88.0 | 70% | 69% | 117.0 | 88.3 | 83% | 80% | NA | NA | NA | NA | NA | NA | NA | NA | NA | 49.0 | 222.0 | 225.3 |
| Russian Federation (GSP) | 2773.0 | 2268.0 | 70% | 73% | NA | 313.0 | NA | 58% | NA | NA | NA | NA | NA | NA | NA | 79% | NA | 42.0 | 2773.0 | 2623.0 |
| Thailand | 295.0 | 257.0 | 76% | 78% | 17.8 | 21.7 | 65% | 50% | NA | NA | NA | NA | NA | 91.4 | NA | 77% | NA | 37.0 | 312.8 | 407.1 |
| WATCH LIST | | | | | | | | | | | | | | | | | | | | |
| Belarus | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 0.0 |
| Brazil | 1068.0 | 889.0 | 60% | 59% | 117.1 | 151.6 | 48% | 48% | NA | NA | NA | NA | NA | NA | NA | 91% | NA | 18.0 | 1185.1 | 1058.6 |
| Bulgaria | 53.0 | 38.0 | 70% | 68% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 53.0 | 38.0 |
| Costa Rica | 15.0 | 13.0 | 60% | 61% | 14.8 | 14.5 | 60% | 60% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 29.8 | 27.5 |
| Greece | 127.0 | 109.0 | 57% | 58% | NA | NA | 60% | 60% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 127.0 | 109.0 |
| Hungary | 92.0 | 75.0 | 43% | 42% | NA | 20.0 | NA | 35% | NA | NA | NA | NA | NA | 15.9 | NA | 79% | NA | 92.0 | 110.9 | |
| Israel | 72.0 | 57.0 | 32% | 32% | NA | NA | NA | 50% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 72.0 | 57.0 |
| Italy | 1242.0 | 1067.0 | 49% | 49% | 350.0 | 45.0 | 25% | 23% | NA | NA | NA | NA | NA | 817.0 | NA | 64% | NA | 20.0 | 1592.0 | 1949.0 |
| Kazakhstan | 63.0 | 61.0 | 77% | 79% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 63.0 | 61.0 |
| Kuwait | 43.0 | 37.0 | 63% | 62% | NA | 10.0 | NA | 75% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 43.0 | 47.0 |
| Lebanon (GSP) | 28.0 | 24.0 | 74% | 73% | 3.0 | 2.8 | 70% | 60% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 31.0 | 26.8 |
| Malaysia (OCR) | 180.0 | 156.0 | 60% | 59% | 26.2 | 16.0 | 60% | 45% | NA | NA | NA | NA | NA | NA | NA | 83% | NA | 9.0 | 206.2 | 181.0 |
| Peru | 52.0 | 41.0 | 74% | 71% | 57.2 | 58.5 | 98% | 98% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 109.2 | 99.5 |
| Poland ² | 438.0 | 348.0 | 55% | 57% | 100.0 | 28.0 | 27% | 36% | NA | NA | NA | NA | NA | 76.0 | NA | 60% | NA | NA | 538.0 | 452.0 |
| Romania | 115.0 | 91.0 | 70% | 68% | 10.0 | 15.0 | 40% | 65% | NA | NA | NA | NA | NA | NA | NA | 89% | NA | NA | 125.0 | 106.0 |
| Saudi Arabia (OCR) | 126.0 | 97.0 | 54% | 51% | NA | 25.0 | NA | 60% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 126.0 | 122.0 |
| South Korea | 284.0 | 302.0 | 40% | 43% | NA | NA | NA | NA | NA | NA | NA | NA | NA | 461.9 | NA | 66% | NA | 44.0 | 284.0 | 807.9 |
| Spain (OCR) | 624.0 | 542.0 | 42% | 43% | 13.4 | 16.7 | 20% | 20% | NA | NA | NA | NA | NA | 510.0 | NA | 35% | NA | NA | 637.4 | 1068.7 |
| Sweden | 227.0 | 194.0 | 25% | 25% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 53% | NA | NA | 227.0 | 194.0 |
| Tajikistan | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 0.0 |
| Turkey | 239.0 | 201.0 | 65% | 65% | NA | 22.0 | NA | 80% | NA | NA | NA | NA | NA | NA | NA | NA | NA | 23.0 | 239.0 | 246.0 |
| Turkmenistan | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 0.0 |
| Ukraine | 308.0 | 222.0 | 85% | 83% | NA | 35.0 | NA | 60% | NA | NA | NA | NA | NA | NA | NA | 80% | NA | NA | 308.0 | 257.0 |
| Uzbekistan (GSP) | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 0.0 |
| Vietnam | 123.0 | 120.0 | 83% | 85% | NA | NA | 95% | 95% | NA | NA | NA | NA | NA | NA | NA | NA | NA | 17.0 | 123.0 | 137.0 |
| SPECIAL 306 MONITORING | | | | | | | | | | | | | | | | | | | | |
| Paraguay ² | 7.0 | 7.0 | 81% | 82% | NA | 128.0 | NA | 99% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 7.0 | 135.0 |

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|------------------------|--------------------------------|----------------|--------|------|------------------------------|---------------|--------|------|-----------------|-----------|--------|------|-------------------------------------|---------------|--------|------|-----------|--------------|----------------|----------------|
| | Losses | | Levels | | Losses | | Levels | | Losses | | Levels | | Losses | | Levels | | Loss | Loss | Loss | Loss |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| SPECIAL MENTION | | | | | | | | | | | | | | | | | | | | |
| Azerbaijan | 41.0 | 28.0 | 92.0 | 92% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 41.0 | 28.0 |
| Bangladesh | 56.0 | 55.0 | 92.0 | 92% | NA | NA | 90% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 56.0 | 55.0 |
| Colombia | 85.0 | 70.0 | 60% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 85.0 | 70.0 |
| Hong Kong | 140.0 | 134.0 | 50% | 51% | NA | NA | NA | NA | NA | NA | NA | NA | NA | 77.8 | NA | 80% | NA | 4.0 | 140.0 | 215.8 |
| Japan | 941.0 | 876.0 | 21% | 23% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 941.0 | 876.0 |
| Jordan | 11.0 | 11.0 | 58% | 60% | NA | NA | 90% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 11.0 | 11.0 |
| Nigeria | 67.0 | 63.0 | 81% | 82% | NA | 55.0 | NA | 95% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 67.0 | 118.0 |
| Switzerland | 207.0 | 182.0 | 24% | 25% | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 207.0 | 182.0 |
| Taiwan | 122.0 | 118.0 | 39% | 40% | 4.4 | 4.9 | 22% | 21% | NA | NA | NA | NA | NA | 202.9 | NA | 94% | NA | 16.0 | 126.4 | 341.8 |
| TOTALS | 16442.0 | 14695.0 | | | 1969.3 | 2239.9 | | | NA | NA | | | NA | 2655.8 | | | NA | 529.0 | 18411.3 | 20119.7 |

Endnotes:

¹ BSA's 2008 statistics are preliminary. They represent the U.S. software publishers' share of software piracy losses in each country, and follow the methodology compiled in the Fifth Annual BSA and IDC Global Software Piracy Study (May 2008), available at <http://global.bsa.org/idcglobalstudy2007/>. These figures cover, in addition to business applications software, computer applications such as operating systems, consumer applications such as PC gaming, personal finance, and reference software. BSA's 2007 piracy statistics were preliminary at the time of IIPA's February 11, 2008 Special 301 filing and were finalized in June 2008 (see <http://www.iipa.com/statistics.html>) and are reflected above.

² RIAA reports that its estimated losses to the music industry in 2007 in Paraguay include both domestic piracy and estimated losses caused by transshipment.

³ ESA does not have 2008 data available. ESA's reported dollar figures for 2007 reflect the value of pirate product present in the marketplace as distinguished from definitive industry "losses." The value of pirate product in the market in Poland reflects only the value of pirate product for personal computers.

"GSP" means that the U.S. government is reviewing this country's IPR practices under the Generalized System of Preferences trade program.

"OCR" means IIPA has requested that an out-of-cycle review be conducted by USTR later in 2009.

IIPA's members' methodology is described in Appendix B of IIPA's submission.