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May 1, 2000
Washington, DC

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IIPA lauds USTR's continuing pressure on countries to improve copyright protection and enforcement through the Special 301 and TRIPS processes

Ukraine targeted as a potential Priority Foreign Country in August 2000 if it fails to halt massive optical media piracy and to comply with its bilateral copyright obligations to the U.S.

Continuing pressure placed on Israel and Italy

USTR to press forward to initiate TRIPS dispute settlement proceedings on copyright deficiencies against Denmark and to continue to consult bilaterally in the Greece and Ireland copyright cases

Washington — The International Intellectual Property Alliance (IIPA) praised U.S. Trade Representative Charlene Barshefsky for continuing to seek improvements in copyright protection and enforcement through the annual "Special 301" review of copyright piracy and market access problems around the world. She placed 59 trading partners on the Special 301 lists, and also identified five "out of cycle" reviews for later this year.

Ukraine subject to potential identification as a Priority Foreign Country in August 2000

Ambassador Barshefsky identified Ukraine as a potential Priority Foreign Country if Ukraine fails to take sufficient action to address its copyright piracy and enforcement problems by August 1, 2000. Ukraine has now taken the lead over every other country in Central and Eastern Europe as the largest producer and exporter of illegal optical media discs. With at least five known CD plants, Ukraine was capable of producing over 70 million CDs annually last year, few of which were authorized copies. Losses to the music industry alone are estimated at \$210 million for 1999. We applaud USTR's firm action with Ukraine.

IIPA's President supports continued focus on inadequate protection in Ukraine, Israel and Italy

Eric H. Smith, President of IIPA, took note of USTR's announcement by emphasizing "that we asked for tough scrutiny of Ukraine, of Israel and, more recently, of Italy where anti-piracy legislation pending for over five years once again was not enacted. While USTR decided not to name these as Priority Foreign Countries in this announcement as the copyright industries in the IIPA recommended, we trust that Ambassador Barshefsky and her able staff will not hesitate to take firm action regarding these countries if major improvements are not seen this year. Ukraine has made little progress, Israel seems to be finally acknowledging that its piracy problem has been out of control, and Italy, having been on the Special 301 lists for 11 years, has utterly failed to

make these needed improvements and now has a very short window to pass desperately needed legislation to provide deterrence against massive piracy throughout the country. We urge the U.S. government to get these problems finally corrected this year.”

TRIPS pending copyright case against Denmark to proceed to panel unless imminent progress is made; USTR identifies potential TRIPS cases

Ambassador Barshefsky announced that the U.S. would seek a WTO dispute settlement panel against Denmark unless imminent progress is made. This case has been in the consultations stage over Denmark’s failure to provide a civil *ex parte* search and seizure remedy essential to effective enforcement of copyright owners’ rights. USTR also hopes that further progress can be made by the Greek Government to address the problem of inadequate enforcement against rampant television piracy. The U.S. copyright case against Ireland for its failure to implement a fully TRIPS-consistent copyright law remains at the consultation stage. IIPA President Smith stated, “There is simply no excuse for these countries, whose TRIPS obligations entered into force in 1996, not to fix their laws and practices and settle these cases. We would urge USTR to take the next steps in the WTO dispute settlement process unless early resolution is achieved.”

USTR also highlighted several WTO members whose IPR regimes are not in compliance with their TRIPS obligations. While others could be added to this list, USTR specifically targeted: members of the Andean Community, Australia, Czech Republic, Dominican Republic, Egypt, India, Israel, Italy, the Philippines, Poland and Uruguay. The U.S. will consult bilaterally with these countries, and presumably other countries as well, in the upcoming months to encourage them to resolve outstanding TRIPS concerns.

Continued Monitoring of China and Paraguay

As recommended by IIPA, USTR continued Section 306 monitoring of the compliance of the People’s Republic of China and Paraguay with their bilateral commitments on copyright and (for China) market access for copyright industries. Under Section 306, the USTR monitors how countries are complying with their agreements with the U.S. — to ensure that countries are implementing the reforms to which they have committed themselves.

Priority Watch List, the Watch List and Out of Cycle Reviews

USTR placed 16 countries on the Priority Watch List; the three countries new to this list this year are Malaysia, Korea and Poland. There are 39 countries on the Watch List. USTR will conduct “out of cycle” reviews later this year with Italy, Macau, South Korea, El Salvador, and the West Bank and Gaza, to evaluate their progress on the issues identified by USTR. All these countries are struggling with several serious copyright law and/or enforcement matters which require satisfactory resolution.

Regional Roundup: Summary of Key Developments

- **Asia/Pacific**: USTR's decisions in this region reflect a clear focus on the widespread problem of optical media piracy. In 2000, countries such as Malaysia, Thailand, Indonesia and the Philippines will be strongly encouraged to join China and Hong Kong in enacting and enforcing laws to control the burgeoning production and export traffic in pirate CDs, VCDs, DVDs and CD-ROMs. The elevation of Korea to the Priority Watch List helps underscore the need for continued improvements in enforcement, especially against software and book piracy, and the

need to pay careful attention to the impact of deficiencies in new laws regarding international obligations in the IPR sphere. IIPA also urges USTR to maintain close vigilance over the enforcement record of other key territories in the region, notably Australia and Hong Kong, which no longer appear on the Special 301 lists.

- **Western and Eastern Europe:** For five years now, Italy has failed to adopt important anti-piracy legislation. IIPA strongly supports USTR's upcoming September 2000 "out of cycle review" of Italy, and the consideration of a TRIPS dispute settlement case if such legislation is not enacted. Poland's long-standing failure to provide full retroactive protection for U.S. sound recordings (a TRIPS deficiency) may be resolved by pending legislation; nevertheless, copyright enforcement in Poland continues to be disappointing and non-deterrent. The Czech Republic recently passed welcome copyright legislation which solved most, but not all, of its TRIPS deficiency problems, including woefully inadequate enforcement.

IIPA supports the possible designation of Ukraine as a Priority Foreign Country and applauds USTR's addition of several countries in the Confederation of Independent States (C.I.S.) to the Watch List this year. All the C.I.S. countries have failed, in one way or another, to live up to their bilateral trade treaty obligations with the U.S. in the copyright area, entered into in the early 1990's in return for Normal Trade Relations status. We are, however, disappointed that Georgia and the Kyrgyz Republic, also not in compliance with those trade obligations, were not also included on the Watch List with several of their C.I.S. neighbors. Estonia also should have been placed on the Watch List.

- **Latin America and the Caribbean:** Given the devastating piracy losses in Brazil, the total inadequacy of effective copyright enforcement, the rapidly growing optical media problem, and the broken promises by Brazilian officials to improve copyright enforcement and deter piracy, IIPA calls upon the Administration to engage the Brazilian government on all these fronts. IIPA supports continued, active efforts by the U.S. government on copyright law and enforcement reforms throughout this region, and particularly in Peru, the Dominican Republic, Argentina, Paraguay, El Salvador and Uruguay. IIPA is pleased with positive developments occurring in Mexico, and supports the continuation of senior-level bilateral consultations with the Mexican government, which has been a useful vehicle outside the Special 301 process.

- **The Middle East:** Israel continues to be a key locus of optical media piracy, producing, importing and transshipping pirate product in quantities that dwarf its modest legitimate domestic demand and IIPA expects continued pressure on this inexcusable problem. We are pleased that USTR has added the West Bank and Gaza to the list, as IIPA had recommended; improvement in this territory is needed as well to address the problems in Israel. In Turkey, while there have been substantive improvements in the various draft amendments to the copyright law, the legislation still has not passed. Turkey has been on the Priority Watch List since 1992, and the law and inadequate enforcement situations have not improved markedly. Saudi Arabia, the largest country and market in the Gulf region, continues to drag its feet on legislative and enforcement reform and should have been elevated to the Priority Watch List. IIPA acknowledges some progress in the copyright area made in the remainder of the Gulf countries and in Egypt, although we continue to highlight the refusal of Egyptian authorities to decertify fraudulent agreements submitted by unauthorized distributors of sound recordings.

The following table represents USTR's decisions today. "GSP" means that USTR is currently investigating that country's IPR practices under the annual country practice reviews under the Generalized System of Preferences.

Potential Priority Foreign Country	306 Monitoring	Priority Watch List	Watch List	Out-of-Cycle Review
Ukraine (GSP)	People's Republic Of China Paraguay	Argentina Dominican Republic (GSP) Egypt European Union Greece (TRIPS) Guatemala India Israel Italy Malaysia Peru Poland Russian Federation South Korea Turkey (GSP) Ukraine (GSP)	Armenia (GSP) Azerbaijan Belarus Bolivia Brazil Canada Chile Colombia Costa Rica Czech Republic Denmark (TRIPS) Ecuador Hungary Indonesia Ireland (TRIPS) Jamaica Kazakhstan (GSP) Kuwait Latvia Lebanon Lithuania Macau Moldova (GSP) Oman Pakistan Philippines Qatar Romania Saudi Arabia Singapore Spain Taiwan Tajikistan Thailand Turkmenistan Uruguay Uzbekistan (GSP) Venezuela Vietnam	El Salvador Italy Macau South Korea West Bank and Gaza
Potential Priority Foreign Country	306 Monitoring - 2	Priority Watch List – 16	Watch List –39	Out of Cycle Reviews – 5

About the IIPA and the Impact of the U.S. copyright industries in the U.S. economy

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 1,450 U.S. companies producing and distributing works protected by copyright laws throughout the world — all types of computer software including business software and entertainment software (such as videogame CD's and cartridges, personal computer CD's and multimedia products); motion pictures, television programs and home videocassettes; records,

CD's, audiocassettes and music publishing; and textbooks, tradebooks, reference and professional publications and journals (in both electronic and print media).

According to Copyright Industries in the U.S. Economy: The 1999 Report, prepared for IIPA by Economists, Inc., the core copyright industries accounted for \$348.4 billion in value added to the U.S. economy, or approximately 4.3% of the Gross Domestic Product (GDP) in 1997 (the last year for which complete data is available). The total copyright industries accounted in 1997 for \$529.3 billion in value added, or approximately 6.53% of GDP. The core copyright industries' share of the GDP grew more than twice as fast as the remainder of the U.S. economy between 1977 and 1997 (6.3% vs. 2.7%). Employment in the core copyright industries grew three times the rate of national employment growth between 1977 and 1997 (4.8% vs. 1.6%). More than 6.9 million workers were employed by the total copyright industries, about 5.3% of the total U.S. work force, in 1997. The core copyright industries generated an estimated \$66.85 billion in foreign sales and exports in 1997, an 11.1% gain over 1996 and larger than the foreign sales and exports of the food, tobacco, apparel, textile, and aircraft industries combined. Preliminary estimates for foreign sales and exports for 1998 is \$71.0 billion.

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