

EXECUTIVE SUMMARY
Testimony of Eric H. Smith, President
International Intellectual Property Alliance (IIPA)
before the Subcommittee on Courts, the Internet, and Intellectual Property
United States House of Representatives
“International IPR Report Card – Assessing U.S. Government and Industry Efforts to
Enhance Chinese and Russian Enforcement of Intellectual Property Rights”

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The IIPA is a coalition of seven trade associations which in turn represent 1,900 U.S. companies that rely on strong copyright protection and enforcement to create U.S. jobs and revenue. In 2002, 4% of U.S. workers were employed in the copyright industries and they generated value added to our economy of over \$625 billion and contributed over \$89 billion in exports and foreign sales (\$33 billion in surplus balance of trade) to the U.S. economy.

- Our report to the Subcommittee is that progress in reducing copyright piracy levels in both China and Russia has been negligible to non-existent in the last six months. Other countries have been able to reduce piracy significantly in a short period. Both these countries have not yet developed the political will to take deterrent action against piracy, including criminal prosecutions – an essential element of a strategy to reduce piracy.
- China’s potential market and demand for U.S. copyright products is huge; but that market is virtually **closed** to U.S. companies through onerous market access barriers and a staggering **90% piracy rate**, cheating the U.S. economy of potentially billions of dollars annually. Losses to these industries exceeded an estimated **\$2.5 billion in 2004** and are growing.
- The July 2005 JCCT meetings achieved some new commitments but no evidence of real action in the marketplace. Other developments have followed this pattern, though there have been signs that China is more aware of its piracy problem. However, IIPA and its members have no evidence that criminal prosecutions against piracy of U.S. copyrights has increased in this period and China has totally rebuffed all requests to improve market access. China has not redeemed its commitment from the 2004 JCCT meeting to “significantly reduce IPR infringements” and China’s enforcement system fails to comply with its international obligations under TRIPS.
- Russia’s piracy problem continues to remain enormous; indeed has grown worse in the last six months. IIPA estimates that the copyright industries lost over **\$1.7 billion in 2004** due to piracy last year, and over \$6 billion in the last five years in Russia. **Piracy rates** hover around **70%** of the market or higher for every copyright sector.
- Optical disk manufacturing plants have grown from 34 to 42 (some estimates at 48) in the last six months and many continue to pirate, for domestic consumption and for export. While raids have been conducted, including recently, no equipment has been seized and only suspended sentences have been imposed against the few plant employees prosecuted. Despite massive piracy, virtually all plants remain in continuing operation.
- Russia should not be admitted to the WTO until it provides real deterrent enforcement. Russia’s duty-free GSP trade benefits should be immediately removed and it should be designated a Priority Foreign Country following USTR’s current “out-of-cycle” review.