

Statement of Chairman Howard L. Berman at hearing, "Sinking the Copyright Pirates: Global Protection of Intellectual Property"

I'd like to start off by thanking everyone who traveled here today to help sink the copyright pirates who plunder our country's creative wealth. The theft of intellectual property – or IP – has plagued America's entertainment industry for many years. Just this week, a month before its release, the film "Wolverine," was downloaded over the internet hundreds of thousands of times. IP piracy has become an issue for a broad cross-section of the U.S. economy – for companies big and small in places far from Hollywood, Nashville and Broadway.

While the House Foreign Affairs Committee has always delved into matters of global economics and trade, this hearing marks the start of a concerted effort to capitalize on opportunities that are unique to this Committee. Through our oversight of international programs, travel and longstanding relationships with policymakers around the world, we plan to work more closely with other governments to provide the resources, training, legal guidance and tools which they need to alleviate the international piracy that is so devastating to American ingenuity – and American jobs.

According to the International Intellectual Property Alliance, copyright infringement in 43 countries caused an estimated \$18.3 billion in trade losses in 2007. The Motion Picture Association of America noted that the film industry lost \$6.1 billion in 2005 due to motion picture piracy. The music industry estimates over 40 billion illegal downloads in 2008. The U.S. Chamber of Commerce found that trade in counterfeited goods is responsible for the loss of 750,000 American jobs per year. We just spent billions of dollars on a stimulus package to provide jobs to millions of unemployed Americans, and if we merely focused on curtailing piracy and counterfeiting we would preserve almost a million jobs. IP protection is an economic stimulus. To help boost our economy, it is imperative that we take measures to ensure American innovations are protected abroad and artistic communities can earn a return on their investment in new creative expression.

This hearing is particularly timely as the Office of the United States Trade Representative will soon release the "Special 301" report. This report lists specific countries whose lack of IP protection have the greatest adverse effects on the United States' IP industries – among them, Russia, China, and India.

The types of piracy occurring abroad range from selling DVDs on street corners to mass production of optical discs and unauthorized reproductions distributed via the Internet.

By way of example, even though Russian law enforcement officials have increased the number of raids against warehouses storing pirated material, the number of criminal enforcement actions in the physical as well as on-line environment falls far short of what is necessary to address the problem. While Russia did shut down the website Allofmp3.com which sold business without rights holders authorization, it became a game of whack-a-mole, as almost immediately several others took its place. In addition, Russia has yet to certify a legitimate collecting rights society, which, if it happens, will finally allow performers to collect for use of their music. Russia needs to live up to the intellectual property rights agreement it made with the United States in November of 2006, especially if it would like to be considered ready to join the World Trade Organization.

While Russia has failed to enforce intellectual property rights sufficiently, China has chosen to enforce them selectively. During the summer Olympics in China there were few, if any, counterfeit Olympic t-shirts to be found in the street stalls. NBC found that only one percent of online viewing by Americans occurred on copyright infringing sites. This proved that it is possible for Beijing to combat piracy when it wants to – when the eyes of the world are on China. Estimates from the U.S. copyright industries show that 85-90% of their members' copyrighted

works sold in China in 2007 were pirated. Internet piracy is rampant in China and increasing as more Chinese are going on-line. In fact, the leading Chinese search engine for audio files, Baidu, offers links for downloading or streaming unauthorized copyrighted material. According to a recent article in Forbes, the number of copyright infringing videos on Chinese user generated sites jumped more than six-fold between September 2007 and September 2008. China must demonstrate the will and the way to deal with piracy.

As the desire for American content reaches new audiences overseas, pirates are becoming more sophisticated and daring. In particular, we are disturbed by the rise of signal piracy in the Philippines and alarmed by pirates in Thailand who have established their own movie channels. These modern day Thai pirates of the air are beaming unauthorized programming to millions around the region. Clearly, these types of piracy don't need to be occurring in big countries to have a devastating impact on the American economy. The Bahamas currently maintains a provision in its copyright law that allows local cable operators to downlink, re-transmit and profit from U.S. copyrighted works without authorization from the copyright holder. This practice sets a dangerous precedent for the protection of US audiovisual works throughout the Caribbean and Latin America.

Even countries not on the priority watch list engage in unprecedented levels of piracy. Spain remains a hub of Internet piracy. Mexico has more than 80 well-organized black markets selling pirated goods. Moreover, Mexico has the most prolific camcorder piracy problem in Latin America, as Mexican law doesn't protect against the recording of motion pictures in theaters. Speaking of lack of laws, we still need Canada to take a meaningful step to updating its copyright laws to come into compliance with the World Intellectual Property Organization Internet treaties.

Intellectual property piracy is truly a global problem that harms not only U.S. industry but has economic implications for other countries developing and supporting their own entertainment industries. India ought to appreciate the need to address IP protection. Its own homegrown entertainment industry, "Bollywood," is subject to many of the same concerns that plague Hollywood. We need to do better at protecting Bollywood films when pirated copies are sold in mom and pop shops here in the U.S. And, as evident with the cross-over success and number of pirated copies of "Slumdog Millionaire" viewed in India, India needs to enforce adequate protections for international innovation as well.

The United States and its trading partners rely heavily on investments in intellectual property to drive our economies. Unfortunately, the incentives and profits for engaging in piracy are high, and the risks of being apprehended and sanctioned are low in many countries around the world. Furthermore, The Center for Global Risk and Security at the RAND Corporation released a report in March documenting a link between piracy, organized crime and funding of terrorist activities. Piracy of copyrighted materials is not a victimless crime and its global repercussions must be addressed. I plan to introduce legislation shortly that will begin to elevate the attention given to intellectual property concerns abroad.

We hope to hear from the witnesses about the real impact of piracy on their businesses and mechanisms we can implement to protect American intellectual property internationally.