

TESTIMONY OF
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BEFORE THE
SENATE COMMITTEE ON HOMELAND SECURITY & GOVERNMENTAL AFFAIRS SUBCOMMITTEE ON
OVERSIGHT OF FEDERAL MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF
COLUMBIA

“UNITED STATES INTELLECTUAL PROPERTY ENFORCEMENT COORDINATION”

July 26, 2006

Chairman Voinovich, Ranking Member Akaka and members of the Committee, I am pleased to join you today to discuss the U.S. government’s intellectual property enforcement coordination efforts.

I want to thank this Committee for its continued support and leadership on issues concerning the protection of intellectual property. I look forward to the opportunity to work together to ensure that the heart of America’s innovation economy, its intellectual property (IP), is effectively protected around the world.

Combating piracy and counterfeiting is a top priority for the Bush Administration. This prioritization is evident in the leadership shown by President Bush. He has consistently raised IP enforcement with foreign leaders, placed the issue on the agenda of the G8 and made it a key part of the recent U.S./EU summit. He has also discussed our ongoing concerns with leaders of critical markets such as China, Russia and India. He has directed his Administration to address this issue actively, aggressively and with a results-oriented approach.

We are leveraging the capabilities and resources of the United States to promote effective, global enforcement of intellectual property rights (IPR). Working under the leadership of the White House, my office works to coordinate the international IP enforcement efforts of the Office of the U.S. Trade Representative, the Department of Commerce – which includes the U.S. Patent and Trademark Office and the International Trade Administration; the Department of Homeland Security – which includes Customs and Border Protection and Immigration and Customs Enforcement; the Department of Justice – including the FBI (Federal Bureau of Investigation); and the State Department, among others. Our combined efforts are extensive, and this allows us to bring even greater focus, energy and prioritization to our IPR efforts.

I appreciate the opportunity to discuss this leadership, to provide you with an assessment of progress made through the Administration’s Strategy Targeting Organized Piracy (STOP!) Initiative and to discuss the steps we’ve taken to better coordinate and fully leverage federal IP enforcement capabilities.

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Leadership and Prioritization

The reasons for the Administration’s leadership on IP enforcement and for its prioritization are clear.

First, few issues are as important to the current and future economic strength of the United States as our

ability to create and protect intellectual property. U.S. IP industries account for over half of all U.S. exports. They represent 40% of our economic growth and employ 18 million Americans, who earn 40% more than the average U.S. wage. The 2006 Economic Report of the President states that IP accounts for over 1/3 of the value of all U.S. corporations, an amount equal to almost half of our GDP. Quite simply, our ability to ensure a secure and reliable environment for intellectual property around the world is critical to the strength and continued expansion of the U.S. economy.

The enforcement of intellectual property rights also carries great consequence for the health and safety of consumers around the world. The World Health Organization estimates that 10% of all pharmaceuticals available worldwide are counterfeit. The global surge in counterfeit auto parts has also damaged U.S. brands, and poses major safety issues, as most are inferior substitutes. China is one of the largest sources of such counterfeit parts, and is cited by the U.S. auto industry as one of its top concerns. The Motor and Equipment Manufacturers Association estimates that counterfeit parts cost the legitimate global industry \$12 billion annually, \$3 billion in the United States alone. The U.S. Federal Aviation Administration estimates that 2% of airline parts installed each year are fake – or about 520,000 parts. And we have seen counterfeit circuit breakers that overheat and explode, brake linings made of wood chips and cardboard, and fake power cords. In the world of today’s sophisticated criminal IP operations, if a product can be easily counterfeited, has an immediate demand and provides a good profit margin it will be copied. Consumer safety and product quality are concerns obviously not on the minds of global IP thieves.

Finally, the theft of American intellectual property strikes at the heart of one of our greatest comparative advantages – our innovative capacity. Through the applied talents of American inventors, researchers, entrepreneurs, artists and workers, we have developed the most dynamic and sophisticated economy the world has ever seen.

And I truly believe the world is a much better place due to these efforts. We have delivered life-saving drugs and products that make people more productive. We have developed entirely new industries and set loose the imaginative power of entrepreneurs everywhere. And, we set trends and market best-of-class products to nearly every country in the world.

A thriving, diversified and competitive economy must protect its intellectual property rights. In the recent State of the Union, President Bush outlined the American Competitiveness Initiative (ACI). ACI strengthens the President’s ongoing commitment to research and development. We are creating a business environment that encourages entrepreneurship and protection of intellectual property. And this Administration is doing everything that we can to open markets and level the playing field.

We value our heritage of innovation and exploration – it is not only part of our history; it is the key to our future.

And this future – a future of innovation, exploration and growth that benefits the entire world -- rests on a basic, inherent respect for intellectual property rights and a system that protects them.

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Results of the Strategy Targeting Organized Piracy

As this Committee clearly understands, the problem of global piracy and counterfeiting confronts many industries, exists in many countries and demands continuous attention. With finite resources and seemingly infinite concerns, how we focus our efforts is crucial. I appreciate this opportunity to share with you the key areas which make up the Administration’s overall Strategy for Targeting Organized

Piracy (STOP!) Initiative and discuss the results we have seen over the past year. The STOP! Initiative has five primary goals:

1. Empower American innovators to better protect their rights at home and abroad.
2. Increase efforts to seize counterfeit goods at our borders.
3. Pursue criminal enterprises involved in piracy and counterfeiting.
4. Work closely and creatively with U.S. Industry.
5. Aggressively engage our trading partners to join our efforts.

STOP! has built an expansive interagency process that provides the foundation and focus for all of our efforts. Under White House leadership, STOP brings together USTR, the Department of Commerce, the Department of Justice, the Department of Homeland Security and the State Department.

Through the STOP! Initiative we are achieving results, maintaining the commitment of senior Administration officials, institutionalizing an unprecedented level of coordination within the federal government and receiving attention around the world. Over the past year this Administration has improved coordination across the U.S. government. And we are regularly reviewing our strategies and assessing the progress that we have made so that we can continue to take the appropriate next steps.

The message that we are delivering is – that the United States takes the issue of IP enforcement very seriously, we are leveraging all of our resources to address it and we have high expectations of all of our global trading partners.

1. To help American innovators secure and enforce their rights across the globe, we have new federal services and assistance:

We created a hotline (1-866-999-HALT), which is staffed by specialized attorneys who counsel businesses on how to protect their intellectual property rights (IPR) and work with callers on how to best resolve problems. In cases where the individual or company has properly registered its rights, its issue can then be referred to a trade compliance team that will monitor their case and work to see what next steps can be taken.

We also developed a website (www.stopfakes.gov) and brochure to provide information and guidance to rights holders on how to register and protect their IPR in markets around the world.

We created downloadable “IP toolkits” to guide businesses through securing and enforcing their rights in key markets across the globe. These toolkits are available at the Stopfakes.gov website, and cover key trading partners such as China, Russia, Mexico, Korea and Taiwan.

In November 2005, Commerce Secretary Gutierrez announced the China Intellectual Property Rights (IPR) Advisory Program. This program is done in conjunction with the American Bar Association, the National Association of Manufacturers and the American Chamber of Commerce in China. It offers small and medium-sized U.S. businesses free IPR consultation with an attorney.

We are continuing to expand our IP attaché program in China and positioning new attachés in Brazil, Russia, India, Thailand and the Middle East. Having IP attachés stationed in these countries will enhance our ability to work with local government officials to improve IP laws and enforcement procedures in addition to assisting U.S. businesses to better understand the challenges of protecting and enforcing their IPR.

Also, we are providing training for U.S. embassy personnel to be effective first responders to IPR issues in order to identify problems abroad and assist rights holders before fakes enter the market and the supply chain.

- The Stopfakes.gov website has received over 1.8 million visits.
- In FY 2005, the STOP! Hotline received over 950 calls and during the first half of this year (2006) we have received over 1,000 calls.
- During our four 2005 IP Road Show events, in Salt Lake City, Phoenix, Austin and Miami we had a total of 740 small business attendees.

2. We are increasing our efforts to stop fake and counterfeit goods at America's borders:

The Department of Homeland Security (DHS), through the enforcement efforts of U.S. Customs and Border Protection (CBP) and U.S. Immigration and Customs Enforcement (ICE), is a key player in the STOP! Initiative, working to stop counterfeiters and pirates from bringing fake products into the United States. In fiscal year 2005, DHS seized 8,022 shipments of counterfeit and pirated goods valued at more than \$93 million. Since 2001 CBP has made over 31,000 seizures of fake and counterfeit goods.

We have begun implementing a new risk assessment model and technologies to cast a wider, tighter net on counterfeit and pirated goods and to stop these goods at our borders. CBP's new risk assessment model uses several sources of data, including historical seizure information, to target high-risk cargo while facilitating the flow of legitimate goods. With post-entry verification (IPR audits), CBP added a new IPR enforcement tool to complement traditional physical examination of goods at the border. We are issuing penalties on imports of fakes uncovered during IPR audits, and working with businesses to develop internal control systems to prevent imports of counterfeit and pirated goods.

Additionally, we have developed an online recordation tool for rights holders to record their trademarks and copyrights with CBP. Recordation provides a higher level of protection for trademarks and copyrights and makes it easier for CBP to identify fake goods at our borders. CBP's online recordation tool is linked to the U.S. Patent and Trademark Office's website, and will soon be linked to the Copyright Office's website as well. This resource helps businesses protect their rights.

We are working with our trading partners to share information and improve our capabilities to assess and anticipate risks. We are already seeing early results of this effort with the European Union. We have followed up on the U.S./EU Economic Ministerial held last year, where leaders of both governments committed to expand information sharing of customs data and information. The United States and the European Union, as part of a bilateral IP working group, are implementing an action plan to strengthen IPR enforcement, including through greater customs cooperation.

The Department of Homeland Security's Immigration and Customs Enforcement (ICE) and the Department of Justice's Federal Bureau of Investigation (FBI), two of the lead investigative agencies in the fight against both domestic and international IPR crime, jointly run the National IPR Center. The Center identifies and addresses developing IPR issues and trends and advances that information through outreach and training with foreign governments. Additionally, the FBI serves as the co-chair for Interpol's IPR international training sub-committee, and in that role provides regular training to officials overseas on IPR enforcement.

The tools and relationships developed under STOP! have produced real results. For example, ICE special agents working in conjunction with the Chinese government and U.S. industry conducted the first ever joint U.S.-Chinese enforcement action on the Chinese mainland and disrupted a network that distributed counterfeit motion pictures worldwide. More than 210,000 counterfeit DVDs were seized. Chinese

authorities also destroyed three warehouses that were being used to store the counterfeit DVDs that would have been distributed worldwide.

3. Law enforcement is leading the dismantling of criminal enterprises that steal intellectual property:

U.S. law enforcement agencies are also working closely with industry to gather information, develop cases and bring convictions against the criminals who steal their IP. We need to be as sophisticated and creative as the criminals. It is important that government and industry work together with coordinated efforts.

The Department of Justice (DoJ) plays a key role in dismantling criminal enterprises that steal intellectual property, improving international enforcement efforts, and ensuring that there is a strong legal regime for the protection of intellectual property throughout the world. To that end, as part of the STOP! Initiative, the Attorney General formed an Intellectual Property Task Force to examine how it could maximize its efforts to protect intellectual property rights. In October of 2004, the first Task Force Report was released and it included a comprehensive set of recommendations on steps that the Department of Justice could take to better protect IPR. U.S. law enforcement agencies, and the Justice Department in particular, have achieved significant results as discussed below.

Increasing Criminal Prosecutions

- Increased the number of copyright and trademark cases filed from FY 2004 to FY 2005 by 45%.
- Increased the number of defendants prosecuted for intellectual property offenses by 98% from FY 2004 through the end of FY 2005.
- Created five new Computer Hacking and Intellectual Property (CHIP) Units in the U.S. Attorney's Offices in Nashville, Orlando, Pittsburgh, Sacramento, and Washington D.C., bringing the total number of specialized units to 25.
- Increased the total number of CHIP prosecutors nationwide to 230.
- Continued to dismantle and prosecute multi-district and international criminal organizations that commit intellectual property crimes, including:
 - Leading the international takedown against members of over 22 major online software piracy groups in Operation Site Down in June 2005, involving 12 countries, the simultaneous execution of over 90 searches worldwide, the eradication of at least eight major online distribution sites, and confiscation of an estimated \$50 million in pirated software, games, movies, and music. Prosecutors have indicted 44 defendants and obtained 17 felony convictions in connection with this operation to date;
 - Shutting down a sophisticated international peer-to-peer network known as Elite Torrents, used by over 133,000 members, in the first-ever criminal action against a Bit Torrent file-sharing network;
 - Obtaining felony conspiracy and copyright convictions against 26 software, game, movie, and music pirates as part of the ongoing Operation FastLink, the largest law enforcement action ever taken against online intellectual property offenders;
 - Obtaining convictions against two Los Angeles-area men for conspiracy and trafficking in over 700,000 counterfeit Viagra tablets with a street value of over \$5.6 million of which 25,000 were manufactured in China.
 - Indicting the four leaders of one of the largest counterfeit goods operations ever uncovered in New England – breaking up a scheme to sell more than 30,000 luxury goods worth more than \$1.4 million.

Improving International Enforcement

The Justice Department recently deployed an IP law enforcement coordinator for Asia, who is stationed in Bangkok, Thailand. This individual will work closely with prosecutors in the Department's Computer Crime and Intellectual Property Section and Office of International Affairs to oversee IP law enforcement training and assist U.S.-based enforcement efforts in the region.

In addition, DoJ has executed agreements to implement obligations of the US/EU Mutual Legal Assistance and Extradition Agreements. These agreements ensure cooperation regarding intellectual property crimes with Austria, Belgium, Denmark, Finland, France, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Netherlands, Portugal, Slovenia, Spain, Sweden, and the United Kingdom; and we have completed negotiations with the nine remaining EU countries – Cyprus, Czech Republic, Estonia, Germany, Greece, Italy, Malta, Poland and Slovakia.

We trained and provided technical assistance to more than 2,000 prosecutors, investigators, judges and IP experts from 94 countries regarding the protection and enforcement of IPR.

We have initiated bilateral discussions with China on criminal IP enforcement and are working toward establishing a bilateral law enforcement experts group to improve operational cooperation and coordination in joint and cross-border investigations. We are also working closely with other member countries in a G8 IP Experts working group, and will soon be proposing and pursuing specific IP enforcement projects in the G8 Lyon-Roma Group on Crime and Terrorism.

Strengthening Laws

The Bush Administration is working with Congress to strengthen laws and penalties related to intellectual property rights enforcement, including the:

- *Stop Counterfeiting in Manufactured Goods Act, H.R. 32 (Enacted in March 2006)*
 - Prohibits the trafficking of counterfeit labels, emblems, containers or similar labeling components that may be used to facilitate counterfeiting; provides for forfeiture of articles bearing or consisting of a counterfeit mark and proceeds of any property derived from proceeds of, or used in the commission of, a violation; expands the definition of "trafficking" for certain counterfeiting crimes and clarifying that trafficking in counterfeit goods or labels includes possession with intent to traffic in such items.
- *Family Entertainment and Copyright Act, S. 167 (Enacted in April 2005)*
 - Outlaws camcording in movie theaters and provides a new 3-year felony for the distribution of a pre-release work by making it available on a publicly-accessible computer network. Recognizes the premium value of copyrighted works before they are released to the public.
- *Anti-Counterfeiting Amendments of 2004, H.R. 3632 (Enacted in December 2004)*
 - Allows law enforcement officials to seize material and equipment used to make counterfeit products and labels.
- *Intellectual Property Protection Act of 2005*
 - The Department of Justice transmitted to Congress the Administration's proposed legislation entitled the "Intellectual Property Protection Act of 2005," a comprehensive reform package that would toughen penalties for intellectual property crimes, expand criminal intellectual property protections, and add investigative tools for criminal and civil intellectual property rights enforcement.

4. Working closely and creatively with U.S. industry:

We are conducting extensive outreach with U.S. industry and trade associations, and want to hear their stories. Companies need to be aggressive advocates of their own IP. We are working actively with the business community as we go forward. They are our eyes and ears on the ground and know better than

anyone how inadequate IPR enforcement affects their businesses. We will continue to work together to find solutions and lead enforcement efforts.

We are working with U.S. and international trade associations such as the American Bar Association, American Chamber of Commerce in China, Business Software Alliance, Entertainment Software Association, International Chamber of Commerce, International Intellectual Property Alliance, International Federation of Phonographic Industries, Motion Picture Association, National Association of Manufacturers, The Pharmaceutical Research and Manufacturers of America, Quality Brands Protection Committee, Recording Industry Association of American, U.S. Chamber of Commerce, the U.S.-India Business Council and the U.S.-China Business Council, to name just a few.

Additionally, we are working with the Coalition Against Counterfeiting and Piracy, a U.S. Chamber of Commerce and National Association of Manufacturers led association on the “No Trade in Fakes” program to develop voluntary guidelines companies can use to ensure their supply and distribution chains are free of counterfeits.

We are also conducting post-entry verifications (IPR audits) on companies vulnerable to IP violations and working with them to correct their faulty business practices. U.S. Customs and Border Protection (CBP) uses post-entry verifications of importing companies to detect discrepancies and systemic weaknesses in the area of IPR protection. We then work with audited companies to devise solutions and remedies for deficient and vulnerable areas.

We have education campaigns that take place across America to teach small and medium-sized enterprises how to secure and protect their rights and where to turn for federal resources and assistance. It is important to note that only 15% of small businesses that do business overseas know that a U.S. patent or trademark provides protection only in the United States. Companies need to make sure that they register for intellectual property protection overseas. We recently had education programs in Northern Virginia, San Diego, Atlanta, Nashville and Columbus. These events help educate businesses on what intellectual property rights are, why they are important, and how to protect and enforce these rights domestically and internationally.

5. We are reaching out to our trading partners and building international support. U.S. leadership is critical and we are active on a number of fronts:

When U.S. government officials meet with our global trading partners for bilateral and multilateral discussions, IPR protection and enforcement are always top priorities.

Promoting International Engagement:

G-8: At the 2005 G8 meeting, President Bush secured an agreement from fellow leaders to focus on IP enforcement.

At the recent 2006 G8 meeting in St. Petersburg, a comprehensive IP enforcement strategy was announced that delivered upon the commitment made in 2005. The G8 Statement on Combating IPR Piracy and Counterfeiting has several key objectives:

- To keep the spotlight on trade in counterfeit and pirated goods and secure agreement on projects that promote greater cooperation between national law enforcement officials.
- To link victims of IPR infringement to national enforcement authorities.
- To build capacity in developing countries to combat trade in counterfeit and pirated goods.
- To further research the economic impact of counterfeiting and piracy on national economies, brands, rights holders and public health/safety.

- To task relevant law-enforcement work (including online piracy) to the Lyon-Roma Anti-Crime and Terrorism Group (LR/ACT).

APEC: Within the Asia Pacific Economic Cooperation (APEC) forum last year, we secured an endorsement of a U.S.-Japan sponsored ‘APEC Anti-Counterfeiting and Piracy Initiative’ to reduce trade in counterfeit goods and to combat online piracy, while increasing cooperation and capacity building. Last November this initiative resulted in agreement by the leaders of APEC’s 21 member economies to a set of model guidelines to reduce trade in counterfeit and pirated goods, to protect against unauthorized copies, and to prevent the sale of counterfeit goods over the Internet. We are currently working to implement and expand these model guidelines.

FTAs: Constant, high-level engagement to improve enforcement of intellectual property rights has been a vital part of U.S. trade policy for many years. The importance of intellectual property enforcement is reflected, for example, in the provisions of U.S. trade agreements and in the Administration’s utilization of the “Special 301” provisions of U.S. trade law. The Bush Administration makes intellectual property rights a priority when negotiating new free trade agreements. Our free trade agreements provide cutting-edge protection for intellectual property with strong rules to combat counterfeiting and piracy. This was seen in the recent Central America-Dominican Republic Free Trade Agreement (CAFTA-DR), as well as the recently concluded free trade agreements with Oman and Peru. Over the past year, we worked closely with our CAFTA-DR partners and the governments of Australia, Morocco, Singapore and Bahrain to bring their intellectual property enforcement regimes up to the high standards required by our free trade agreements.

OECD: Additionally, we have commissioned a study by the Organization for Economic Cooperation and Development (OECD) to examine the impact of global counterfeiting and piracy. Our inter-agency team has held several meetings with OECD officials to follow-up and assist with this study. We are looking for sound, reliable and accurate information to be produced with this study, so that we may have accurate metrics that can be used effectively by senior policymakers and by industry as we continue building international support to stem the flow of fake and counterfeit goods and keep them out of global supply chains.

SPP: The Administration has also launched a cooperative effort under the Security and Prosperity Partnership (SPP) with Canada and Mexico to develop a strategy for combating piracy and counterfeiting in North America. Work is underway through a trilateral task force and efforts will focus on enhancing detection and deterrence of counterfeiting and piracy and expanding public awareness of the need to protect and enforce intellectual property rights.

Bilateral: Under the STOP Initiative, we have conducted outreach to Canada, the European Commission, France, Germany, Hong Kong, Japan, Korea, Mexico, Singapore and the United Kingdom laying the basis for increasing cooperation on IP enforcement.

European Union: In January, we met with European Union officials at the White House for a series of meetings to address global piracy. Follow up meetings were held in Brussels in March. And in June, President Bush along with his E.U. counterparts announced the U.S.-EU IP Enforcement Action Strategy. We are breaking new ground and have begun to expand our cooperation with the EU – focused initially on border enforcement, a strategy to address specific problems in third countries and other international cooperation and working with the private sector.

Japan: Japan is one of our key international partners in the fight against counterfeiting and piracy. We continue to work with Japan under STOP!, especially on the APEC initiatives discussed above. Our

cooperation under STOP! is just one part of our broader bilateral IPR cooperation. For example, last October, Japan and Switzerland joined with the U.S. in requesting that China disclose key IPR enforcement data under WTO transparency rules.

On March 30, 2006, Secretary Gutierrez and Japan's Minister of Economy, Trade, and Industry announced expanded bilateral cooperation on IPR protection and enforcement. This cooperation will allow the two countries to confront the growing problem of global piracy and counterfeiting together. Highlights of the new agreement include increasing assistance and education for SMEs; sharing information on IPR enforcement activities; strengthening technical assistance to third countries, and streamlining the patent process.

India: In March 2006 during President Bush's visit to India, a joint statement was released stating that the U.S. and India would work together to promote innovation, creativity and technological advancement by providing a vibrant intellectual property rights regime, and to cooperate in the field of intellectual property rights to include capacity building activities, human resource development and public awareness programs.

Building on President Bush's visit to India in March, in my role as the U.S. IPR Coordinator, I recently led an inter-agency delegation to India to discuss issues of IP policy, enforcement and trade. The delegation met with Indian government officials – at both the Central and State Government level; and engaged both U.S. and Indian private-sector stakeholders, academics and legal practitioners to continue our efforts to promote increased trade and economic development through effective IP protection. While in India, I announced the Bush Administration's framework for engaging India on intellectual property and trade promotion. This plan revolves around three key areas, which include: Bilateral Cooperation, Education and Engaging both U.S. and Indian Industry. Bilaterally, we are working with India on IP through our Trade Policy Forum, High Technology Cooperation Group and the Commercial Dialogue. With the placement of a Bush Administration IP Attaché in New Delhi, we plan on continuing our capacity building and educational outreach efforts with the Indian Government and Industry.

On the IP front, India has made some progress and we are committed to continuing to work with India as they fine-tune their IPR legal framework and develop an effective system to enforce intellectual property rights.

China: The U.S. government is working on many fronts to engage China on IPR concerns, and under President Bush's leadership, we have developed an effective China IP strategy. The Bush Administration's China IP strategy is built on four pillars: bilateral engagement; effective use of our trade tools; expanding law enforcement cooperation; and working with the private sector. We are utilizing all of our resources to effectively implement our approach.

Ambassador Clark Randt at our Embassy in Beijing holds an annual IPR Roundtable which brings together senior U.S. and Chinese officials and U.S. business representatives. The Roundtable gives U.S. rights holders the opportunity to discuss the problems they are facing and find the solutions that they need. Also, our Embassy and Consulate officers on the ground are a valuable asset for U.S. companies. They play a critical role as IPR "first responders" helping U.S. businesses resolve cases when their rights are violated.

Russia: The U.S. is working actively with Russia to strengthen Russia's IP protection and enforcement. President Bush, Secretary Gutierrez, USTRs Portman and Schwab, Secretary of State Rice and other senior officials have raised our IPR concerns repeatedly with the Russian government. Recent positive statements made by President Putin and other senior Russian officials recognize that IPR protection is both an economic issue for the Russian government and a public health concern for the Russian people

are a step in the right direction. The Russian government needs to take steps to curb the high rates of piracy that exist in Russia and demonstrate that their enforcement efforts are providing deterrence and producing results. The Russian government needs to close plants that produce pirated optical discs, prosecute pirates, shut down illegal Internet download sites, and improve legislation. We also highlight that any IP addition to Russia's Civil Code must comply with international norms and not detract from IPR enforcement. We are making it clear in WTO negotiations that Russia must take significant sustained action to address these issues.

We continue to place a high priority on the work of the U.S.-Russia IP Working Group, as the United States and Russia work to address a number of IPR-related issues and steps that need to be taken. Additionally, we have a robust IP training program in Russia and the Embassy has taken an active role in reaching out to rights holders, organizing events with rights holders and government officials, and resolving cases when IP rights are violated.

Training and Capacity Building: The U.S. has conducted several hundred IP training and capacity building programs around the world to improve criminal and civil IPR protection. To that end, the Administration has established a Global Intellectual Property Academy to consolidate and expand our training programs for foreign judges, enforcement officials and administrators.

Highlights of our Training and Capacity Building Programs:

- Brazil - Since 2001, the U.S. government has sponsored 15 IP-related programs involving Brazilian government officials, nearly half of which took place in Brazil.
- Russia - Since 2001, the U.S. government has conducted well over 15 training and capacity building programs involving Russian government officials.
- India - The U.S. government has conducted over a dozen IP training and capacity building programs with Indian officials and we continue to conduct conferences to train Indian academics and officials on IP enforcement and WTO Trade Related Aspects of Intellectual Property Rights (TRIPs) obligations. In addition, U.S. intellectual property experts participated in a four-city IP enforcement training program in India in May 2006.
- China - Since 2001, the U.S. government has conducted well over 50 training programs involving Chinese government officials.

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Stronger Coordination

Over the past year the Bush Administration has taken several steps to significantly strengthen the coordination of IP enforcement at the Federal level. Our mission is to ensure that we are effectively leveraging all of the capabilities and resources of the U.S. government to protect American rights holders domestically and around the world. We have met with some success and we are looking ahead to improve our efforts.

Revitalizing NIPLECC

Several factors have recently combined to breathe life into the NIPLECC framework and to bring about positive change. First, NIPLECC has served as the institutional infrastructure necessary to execute the elements of the STOP! Initiative. This has given NIPLECC a more clearly defined mission and focus.

In addition, the installation of a Coordinator for International Intellectual Property Enforcement has provided needed leadership and visibility. The Office of the Coordinator has been greatly benefited by

the tremendous cooperation of NIPLECC agencies and a true recognition that we can achieve greater results through structured coordination and focus on results.

NIPLECC has also increased interaction and communications among member agencies through the establishment of quarterly meetings, the development of consistent communications strategies and regular sharing of information.

The leadership demonstrated by NIPLECC members has translated into the elevation of intellectual property protection into a significant trade and economic issue regularly addressed by senior Administration officials in their contacts with trading partners. This has underscored the importance of conveying consistent messages and remaining closely coordinated.

The formation of the U.S. Chamber of Commerce's Coalition Against Counterfeiting and Piracy (CACP) and conscientious efforts by NIPLECC leadership to engage with CACP and its task forces has yielded new levels of cooperation and coordination between government and industry.

In short, NIPLECC has assumed a more central role than in the past and filled a gap that had previously inhibited coordination.

I would emphasize that NIPLECC does not seek to encroach upon or derogate from the independent authority, mission and operation of its member agencies. Each NIPLECC agency is separately charged with carrying out its statutory responsibilities and brings to the performance of those tasks specialized knowledge, invaluable expertise and, in some cases, literally centuries of experience. This separateness has operational, practical and even legal dimensions, such as in the standards that govern the activities of law enforcement agencies and the need of law enforcement agencies to protect sensitive information from disclosure.

Finally, I would note that NIPLECC will soon be releasing its 'Intellectual Property Enforcement Report to the President and Congress'. This year's report will mark a significant departure from reports produced prior to the creation of my office. The format of this year's report has been changed and its contents expanded from NIPLECC's prior reports. The extensive coordination that takes place amongst the various agencies in the Federal Government on IP enforcement often occurs in the background. The public usually only sees the end product. With this report we will bring together all of the pieces of the puzzle to show how agencies are working together, often behind the scenes, to accomplish the goals laid out by President Bush through the STOP! Initiative and to achieve the results called for by Congress and that serve the needs of U.S. industry.

The Office of International Intellectual Property Enforcement

To lead NIPLECC in carrying out its function, Congress created the position of Coordinator for International Intellectual Property Enforcement ("the Coordinator"). President Bush moved expeditiously to fill this post, and I was honored to be appointed to this position July 2005. Arif Alikhan, Senior Counsel to the Deputy Attorney General at the Department of Justice, serves as NIPLECC's Deputy Coordinator. The staff of the Coordinator's office is composed of employees or detailees from a number of NIPLECC agencies.

The Coordinator's office hit the ground running, interacting on a sustained and intensive basis with government agencies, industry representatives, trading partners, Congress and the general public. As the one-year mark has just recently passed, the office can look back upon a number of contributions that have advanced the STOP! initiative and have long been a part of the NIPLECC agenda.

The Coordinator's office played a significant role in helping to revitalize the relationship between the U.S. and the EU regarding IP enforcement. Shortly after the November 2005 ministerial meeting that established the U.S. - EU IPR Working Group, an interagency team from the U.S. began working with our EU counterparts on a strategy for strengthening customs cooperation, focusing mutual efforts on IP protection issues in China and Russia and engaging our respective private sectors. This effort resulted in the launch of the U.S. – EU Action Strategy for the Enforcement of Intellectual Property Rights just prior to the recent U.S. – EU Leaders Summit in Vienna.

Our office has worked to support the NIPLECC-wide focus on improving IP protection internationally and in particular regions and countries. I have had the privilege of leading broad interagency delegations on official visits to China, Russia, the EU and India to pursue greater cooperation among our trading partners in protecting IP.

An important function that the Coordinator seeks to fill is to promote and support regular and consistent communications by senior Administration officials regarding IP protection in their contacts with trading partners. For example, our office has assumed the task of preparing country-specific memoranda that provide at-a-glance information on the background of U.S. engagement on IP issues, the status of enforcement and policy issues and key priorities and challenges. The memoranda also bring together prior statements by Administration officials regarding IP protection in particular countries.

From his senior position within the Department of Justice, NIPLECC's Deputy Coordinator, Arif Alikhan, has provided leadership in focusing and leveraging the efforts of law enforcement agencies to protect intellectual property. The Department of Justice Task Force Report contains accounts of coordination between a number of law enforcement agencies on particular investigations and prosecutions, as well as between federal law enforcement and non-law enforcement agencies on matters involving training, legal reform and outreach. The NIPLECC Deputy Coordinator brings that inclusive perspective to the work of the Council.

We have continuously engaged rightsholder groups and industry representatives. The ability of our office to communicate effectively and efficiently with all stakeholders (particularly industry and Congress) is one of our key strengths. Indeed, it is one of the primary objectives articulated by Congress upon the creation of the Coordinator's Office. This has allowed us to tackle more directly industry's key concerns, enabled us to coordinate public/private efforts and, very importantly, made us more accountable.

Our regular public appearances and presentations, aimed at sharing information about the federal government's IP enforcement and protection efforts have helped to build greater public awareness regarding the government's efforts.

I have also had the privilege of testifying several times before Congress, and conducted numerous meetings with Members and Congressional staff. We have sought to bring greater accountability, increased public understanding and a more coordinated perspective to the work that various governmental agencies are doing. It has been our goal to, in essence, give voice to and put a face on the Administration's IP protection efforts.

As noted, many, if not all, of the activities of the Coordinator's office have been carried out in cooperation with representatives of one or more of the NIPLECC agencies. In some cases, the Coordinator's office has joined or supported pre-existing, agency-led initiatives. In others, the office has spearheaded the initiative and enlisted agency participation. The touchstone throughout has been to optimize results by engaging the most appropriate and complete combination of government IP enforcement and protection resources.

The Coordinator's office contributes to inter-agency coordination in more routine and often less visible ways. For example, our office organizes quarterly NIPLECC meetings to discuss ongoing IP matters and -- in conjunction with the White House -- convenes regular STOP meetings to discuss overall IP strategy. We have worked to engage the FBI, ICE and FDA -- three IP enforcement agencies that are not by statute formally part of NIPLECC. In addition, we are working with a number of NIPLECC agencies to provide support and resources for specific projects and initiatives. Having built this foundation in its first year of operation, the Coordinator's office is well-positioned to accomplish more going forward.

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Members of the Committee, the Bush Administration is committed to stopping intellectual property theft and providing businesses the tools they need to flourish in the global economy. As I work to coordinate the U.S. government's intellectual property enforcement, trade and education efforts; and with your continued support and the partnership of this Committee, we will be able to do even more to provide American businesses and innovators with the protection they need. America's intellectual property is important not just for her national security, but it is also a necessary component in ensuring continued U.S. economic growth and technological leadership. We must take advantage of the opportunity to work together to better protect the knowledge industries of today so that we may continue to see the innovations of tomorrow. Thank you very much.