REMARKS OF ERIC H. HOLDER, JR.,

Deputy Attorney General, U.S. Department of Justice,
at a Press Conference
Announcing the Intellectual Property Rights Initiative,
San Jose, California
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Thank you, Bob. Good morning everyone. I'm Eric Holder, Deputy Attorney General. I am pleased to be joined this morning by U.S. Customs Deputy Commissioner Samuel Banks, FBI Assistant Director Thomas J. Pickard, Bob Mueller, whom you just met, United States Attorney Alejandro Mayorkas from the Central District of California, and by the Chairman and President of Adobe Systems, Charles Geschke.

Today, my colleagues and I are here to announce the first, comprehensive inter-agency plan to combat the growing surge in the theft of intellectual property - both here and around the world. The fact that this is a joint Initiative between the Justice Department, FBI, and Customs Service underscores the seriousness of the problem and our resolve to mount an aggressive crackdown on this growing crime problem. We are here to send the message that those who steal our intellectual property will be prosecuted. This is theft, pure and simple.

Our U.S. Attorneys from the San Francisco/San Jose areas, and from Los Angeles, Mr. Mueller and Mr. Mayorkas, are on the front lines of the very significant law enforcement challenge we are facing today in the IP area, and I want to thank them for being here and for their critical support for this Initiative.

As the world moves from the Industrial Age to the Information Age, the United States' economy is increasingly dependent on the production and distribution of intellectual property (IP). Currently, the U.S. leads the world in the creation and export of intellectual property and IP-related products. That includes everything from software products to music, films, books, and all of the products that are protected by our copyright and trademark laws. Recent estimates indicate that the combined U.S. copyright industries and derivative businesses account for more than $433 billion, or 5.68 percent of our Gross National Product (GNP). Between 1977 and 1996, growth in this area soared at nearly twice the annual growth rate of the U.S. economy as a whole, and current studies estimate the growth rate to be five times the overall economic growth rate. In 1998, the software industry alone reports that it employed 2.7 million Americans in the U.S., far exceeding earlier estimates that the industry would employ one million people by the year 2005. A recent Commerce Department report estimates that the combined copyright and trademark industries represent the second fastest growing sector of the U.S. economy behind Internet-related electronic commerce.

At the same time that our information economy is soaring, so is intellectual property theft. It is estimated that U.S. companies lost $200 billion in 1997 due to worldwide copyright, trademark, and trade secret infringement. Industry estimates 25% of all business software programs used by U.S. companies is pirated; in some countries, that figure soars to 99%. Domestically, the U.S.

Customs Service reported that in 1998, it seized more than $75 million in IP-infringing merchandise intended for sale in the United States. In every major U.S. city, countless street peddlers openly sell a wide variety of counterfeit goods, ranging from designer apparel to motion picture videos. In addition to the financial losses that industry incurs, the U.S. economy suffers very significant job and tax revenue loss as a result of IP crime.

As in other crime areas, digital products and the Internet have complicated intellectual property enforcement. At the same time as it revolutionizes distribution methods for licensed digital products, the Internet will also facilitate global piracy of digital products as increasing numbers of products are converted to a digital format. Digital products can be reproduced almost instantaneously, surreptitiously, repeatedly, and inexpensively.

These developments present growing concerns for U.S. law enforcement and for law enforcement around the world. We are concerned about the rise of organized criminal gangs and syndicates involved counterfeiting and piracy - people who see the high profits and low risks associated in trafficking in this merchandise. We also have continuing concerns about the threat to public health and safety associated with certain kinds of counterfeit products, such as airplane parts, brake pads, fake tee-shirts made with flammable dyes, and children's toys.

In light of these developments, our major investigative and prosecutive agencies, the Department of Justice, the FBI, and the Customs Service, have concluded that we must make these types of crime a major law enforcement priority. The initiative will place special emphasis in seven port cities where piracy and counterfeiting problems are most serious. United States Attorneys in these seven Districts, and the field supervisors from the FBI and the Customs Service in those Districts, have agreed to coordinate their intelligence collection and ramp up criminal enforcement.

The major features of this Initiative are:

. Increasing the priority of criminal IP investigations and prosecutions in the New York-New Jersey metropolitan area, the Northern and Central Districts of California (including Los Angeles, San Francisco, San Jose, and Silicon Valley), the Southern District of Florida (including Miami), and the District of Massachusetts (including the Boston metropolitan area). The Criminal Division's Computer Crime and Intellectual Property Section will be supplementing the resources of those offices to attack the problem.

. Increasing specialized training courses for investigators and prosecutors at the National Advocacy Center, the FBI Academy (in Quantico, Virginia), the Federal Law Enforcement Training Center (in Glynco, Georgia), the International Law Enforcement Academies in Budapest, Hungary, and Bangkok, Thailand, and developing training programs for state and local officials in conjunction with the National Cybercrime Training Partnership.

. Seeking referrals from industry through a streamlined, direct referral system.

. Utilizing procedures for forfeiture of infringing merchandise as an additional tool to get illegal product off the streets.

. Continuing support for increased criminal penalties for infringement through amendments to the Sentencing Guidelines.

In a world of instantaneous communication and multinational crime, our Initiative would not be complete without a significant international component. The Initiative therefore has a major international component, calling on U.S. law enforcement to integrate U.S. trade priorities into international anti-piracy efforts, including the prioritization of key countries for U.S. training and technical assistance. Although U.S. Trade Representative Ambassador Charlene Barshefsky, is unable to be with us today, I want to read a portion of the remarks she made in her statement released today in Washington:
"Our trading partners as members or aspirants to the World Trade Organization have treaty obligations to establish effective enforcement mechanisms protecting intellectual property. They know that robust protection of intellectual property is essential both for domestic industries to flourish and for foreign direct investment. We stand together with our law enforcement agencies here in the U.S. and abroad in communicating this essential message."

I am very pleased that we have Charles Geschke from Adobe is here with us today. We need to enhance our already strong relationship with the U.S. copyright and trademark industries. There is much that industry can do on its own to prevent or reduce this threat. They can employ technological measures to defeat illegal copying. They can bring suits in the civil courts. And, very importantly, they can increase public awareness about the dangers associated with piracy and counterfeiting as well as the staggering economic losses we suffer.

In conclusion, I want to say that our efforts to confront this challenge do not end with this announcement, but begin here, with a commitment to stepped-up enforcement efforts, unprecedented cooperation between domestic law enforcement entities, and a renewed commitment by law enforcement to support the efforts of our sister agencies who represent U.S. economic interests abroad.