Thank you, Tom Donohue. It is great to be here today.

This morning, we heard Tom forcefully argue that intellectual property protection is absolutely critical to economic prosperity in the twenty-first century – not only in the United States but also around the world, in both developed and developing nations. And you heard Senator Hatch note how critical IP protection is to this Congress and to this nation.

I want to second their call to action and also share with you my perspective on this issue as the leader of a dynamic, growing global media company that has every intention of continuing to be a strong and growing company far into the future.

But first, let me set the stage with four incontrovertible claims that, taken together, serve as our wake-up call.

First, IP theft is a jobs and economic security issue … with hundreds of billions of dollars a year and millions of high-paying jobs at stake, making it an issue that both business and labor care deeply about.

Second, IP theft is a health and safety issue that presents a clear danger to the public, from counterfeit toothpaste laced with antifreeze to counterfeit medicines to exploding batteries and other dangerous consumer goods.

Third, IP theft is the new face of organized crime. Organized crime goes where the money is, and today that is high-value IP-dependent commerce such as manufacturing millions of bootleg DVDs and millions of bottles of counterfeit medicine.

And fourth, IP theft is getting worse, not better, across a broad range of key sectors of the U.S. economy. The unfortunate truth is that today we are losing the battle. At this Summit, all the many sectors plagued by counterfeiting and piracy must commit to
working together to convince policymakers of the urgency of the crisis and the pervasiveness and corrosiveness of the threat. Our unified voices will carry far more weight than the pleas of individual industries.

That’s why I applaud the work being driven by Tom Donohue, David Hirschmann, and Carolyn Joiner and their team at the Chamber, and by my colleague Rick Cotton – who in addition to being General Counsel of NBC Universal is also the Chairman of the Coalition Against Counterfeiting and Piracy – a coalition led by the Chamber and by the National Association of Manufacturers that includes more than 400 companies and associations. I want to congratulate and thank them for all their efforts.

Today I want to address both the enormous scope of the counterfeiting threat we face and the increasingly clear steps we need to take to counter this profound threat to our economic security and to our health and safety. In terms of the threat, I am today announcing stunning new evidence of the extent of the damage that counterfeiting and piracy inflict on the U.S. economy. The simple message from this new data: If we do not reverse our dangerous drift toward a stream of commerce hopelessly polluted by counterfeit and pirated goods, the future growth prospects for the U.S. economy and for our children’s futures will be severely compromised.

In addition, I want to outline specifically the agenda we need to pursue to stop this drift toward a bleak future. We CAN reverse today’s trends. We know the way forward is through increased and focused government enforcement efforts; through enhanced private sector cooperation; through increased utilization of technology to authenticate legitimate goods and to identify and block pirated and counterfeit products; and through increased international cooperation. The question is only whether we have the will to do what is required.

First, the new evidence. The Institute for Policy Innovation is today releasing a new study that continues an important process of documenting the full devastating impact of counterfeiting and piracy on the U.S. economy.

A year ago at this event, the IPI released a study that attempted to paint a complete picture of the impact of movie piracy on the U.S. economy. That study analyzed the movie industry’s losses to determine the full upstream and downstream economic consequences including lost economic output, lost jobs, and lost tax revenues, utilizing a sophisticated methodology developed by the U.S. Department of Commerce. That study concluded that an estimated $6 billion in industry losses due to movie piracy actually equals lost economic output of more than three times that much – $20 billion.

Today I am very pleased to announce that IPI has now completed a larger study which applies the Department of Commerce’s analytic methodology to the entire copyright industry, and the results are staggering. IPI is announcing today the publication of “The True Cost of Copyright Industry Piracy,” a project carried out by economist Stephen Siwek.
His study concludes that the total output lost to the U.S. economy on an annual basis from IP theft among the copyright industries is nearly $60 billion a year. What’s more, this illegal activity costs American workers 373,000 jobs. And it costs governments $2.6 billion in tax revenue.

These losses flow from IP theft just within the copyright industries alone. When you add counterfeiting in other sectors, the costs represent a tightening chokehold on U.S. economic growth.

What we all have to realize is that these numbers are not abstractions, they are real. Let me bring this down to my company. At NBC Universal, we are committed to growing our business, and to do that we are focusing our expansion on two key areas: digital and international. We are ripping apart old business models and pioneering radically new ways of reaching our audience.

We are investing big time in these growth areas and we plan to invest more. From NBCU’s point of view, we are committed to delivering growth to the shareholders of our parent company, General Electric. From a public policy perspective, these investments will create jobs, drive upstream and downstream economic growth, and generate increased tax revenues, both in the U.S. and in key countries globally.

Take our digital initiatives. New digital technology makes it possible for consumers to gain access to our content in all sorts of ways never before possible. We have embraced the new capabilities of digital distribution, and we are making big investments to make this happen. Right now – or within the next few weeks – if you miss this Thursday’s season premiere of “30 Rock” -- with special guest Jerry Seinfeld by the way-- we have made multiple options available to you.

- You can go to NBC.com and watch it free through a video stream.
- You can go to NBC.com and download it for free and keep it for seven days.
- You can go to Amazon.com and buy it and keep it forever.
- In increasing parts of the country, you can watch it on-demand through your cable or satellite operator.
- If you have the right calling plan, you can even watch it on your cell phone.
- In a few weeks, you’ll be able to stream “30 Rock” from Hulu.com, our new joint venture with News Corporation, and from any of a slew of Hulu’s distribution partners such as My Space or Yahoo.
- Or, if you want, you can wait until the end of the season and buy the DVD.

What incredible change! Our business models today are changing faster than a “Saturday Night Live” skit gets posted on YouTube! Free or fee-based, ad-supported or ad-free, on screens small, medium, or large … we are there, wherever and however the consumer wants to consume content.

But all these new distribution capabilities and new business models need to get critical mass, they need to get legs. Their future will depend critically on our ability, as the
copyright holder, to protect this content from being stolen and to prevent our new
distribution models from being compromised at birth by pirates and counterfeiters.

The same thing is true of our international efforts. NBCU recently made a major
acquisition of Sparrowhawk Media, which gives us 18 feeds of the Hallmark Channel
overseas, reaching 60 million subscribers in 152 countries. Our NBCU Global Networks
include the SciFi Channel, our Universal Studio channel, and 13th Street, which is our
global mystery and adventure channel, along with CNBC Europe and CNBC Asia. We
are expanding these channels into 30 more countries over the next three years. This
augments our already robust international film production and international TV
production businesses, which we are also expanding.

NBCU’s ambitious plan to drive tremendous global growth also depends on IP
protection. Our channels and our content production drive value, which in turn drives
investment, job creation and increased tax payments to government – but only if that
value is not undercut and destroyed by piracy and counterfeiting. Our global growth
cannot succeed in countries where piracy claims 50, 60 or 95% of the market. And today
we face that situation in far too many countries around the world.

In short, what we now know is that piracy and counterfeiting in the copyright industries
suck nearly 60 billion dollars a year out of the U.S. economy. The copyright industries do
not include other major IP-dependent sectors, where economic vitality rests on
innovations and reputation protected by patents and trademarks and whose growth is
similarly impacted.

We still need studies to quantify the full impact on the U.S. economy of these other
sectors. But based on the size of the damage estimate within the copyright sector, I
predict that we will soon conclude that the FBI’s 2002 estimate that U.S. industry loses
some $250 billion a year from counterfeiting and piracy is probably too low and too
conservative.

Let me now turn to the question of what to do. The road we need to travel is neither short
nor easy. But I believe we already know many of the steps we need to take.

We need – across the board – to move IP enforcement up the agenda of the federal
government, within the White House, within the Department of Justice, within Customs
and Border Protection, and within U.S. embassies around the globe. And we need
dedicated resources – including policy-making executives, prosecutors, investigators,
customs agents – who are exclusively focused on IP enforcement so that IP protection
receives the priority it deserves and does not get eclipsed by other pressures.

I am delighted that the legislative proposals of the CACP, currently being discussed with
the Congress, offer the promise of making great progress on this front. We also need
action by state and local governments. We have started the process of engaging
Governors, Attorneys General and Mayors, and we must escalate these efforts. I
encourage the Congress to create, as the CACP has proposed, federal grants to states and cities to develop model IP enforcement.

And the good news about these increased enforcement efforts is that they will more than pay for themselves. Our analysis suggests that every dollar spent on increased IP enforcement will return between 4 and 5 dollars in government revenue from the resulting increase in legal economic activity.

In addition to government action, we need private sector intermediaries to get on board and become part of the solution, rather than part of the problem. The Chamber of Commerce and others have begun the process of engaging in dialogue with ISPs, with auction sites, with search engines, with retailers and with financial intermediaries.

Beyond these sectors, in my own video world we need universities, user-generated content hosting sites like YouTube, and the Consumer Electronic and IT industries that manufacture home devices and future home networking equipment to take strong technology-based action to prevent their infrastructure from supporting distribution of pirated content.

With respect to financial intermediaries, we need advertisers, ad agencies, and credit card companies to take steps to assure they do not provide financial support for web sites that are overwhelmingly devoted to making available pirated and counterfeit products.

I am optimistic that you will see significant announcements in many of these sectors in the coming months that will demonstrate important forward progress.

Internationally, we need not only to keep the focus on the well-known IP protection issues in China and Russia, but also to encourage more aggressive enforcement activities in all countries, as the CACP has done in the U.S.

The recent trilateral summit between the U.S., Canada and Mexico committed all three countries to a strategy for stronger IP protection. The Canadian government in particular has already begun to move. President Sarkozy of France has placed the fight against online piracy as one of his administration’s top objectives, naming a blue ribbon commission last month to develop proposals on a rapid two-month timetable. We need similar actions by all our major trading partners.

And finally let me say a few words about an under-appreciated aspect of the fight against piracy and counterfeiting, whether in media or any other industry – namely, the role that technological protections can and must play.

I remember the day when you couldn’t park a car on a street in New York or Washington without putting a sign in your window that said “No Radio!” When was the last time you heard of someone having their car broken into for the radio? The difference? Security codes that render a stolen radio unplayable.
Remember when the theft of cable service was rampant? No longer. The difference? Vast improvement in the technology of encrypted cable signals, which has reduced runaway cable signal theft from a major industry problem to a rare occurrence.

The fact is, technology has been and continues to be an incredibly powerful tool to combat theft, whether we’re talking about hard goods or digital goods. These technologies will never be perfect, just as the best security systems in the world will never totally eliminate bank thefts. But committed development of technology has the potential to reduce dramatically the traffic in counterfeit and pirated products.

Governments are printing their currency with holograms and special color-shifting inks, and companies are using these same advanced optical technologies to make accurate counterfeiting of labels more difficult and genuine products easier to identify. And companies are using RFID technology, covert markers, some even using nano-technologies, to help customs and other experts to distinguish between authentic and counterfeit goods. Today, over 20% of Fortune 500 companies use these technologies in some of their product lines. These authentication technologies are developing rapidly, and hold great promise for the future.

On the digital side, the conventional wisdom has been that technology is not up to the task of protecting digital content from piracy. It’s a lost cause. Game over. You can’t protect a digital file made of ones and zeroes that can be endlessly replicated and distributed all over the world at the speed of light and at virtually no cost.

But that, to put it in a word, is baloney. Technology is not just something that feeds the beast of piracy. It has both the promise and increasingly the reality of a powerful engine that can be harnessed to effectively combat it.

Let me illustrate the potential of technology by using my industry as an example. There are five areas in which we’ve seen real, tangible progress and the early stages of what will be widespread implementation of technological solutions. These involve ISPs; user-generated content websites; the university community; manufacturers of home electronics and home networking devices; and auction sites and search engines.

Let me comment briefly on each of these.

First, ISPs.

ISPs are critical because over their wires and cables our movies and television shows are illegally distributed every minute of every day around the world. It turns out, however, that ISPs are coming to recognize that pirated video hurts them as well.

It hurts them because bandwidth hogs are abusing ISP networks so egregiously that some 50-60% of many broadband networks are dedicated to carrying peer-to-peer traffic that largely consists of pirated video. Law-abiding customers find their online experience suffering, and expensive infrastructure is diverted from other fee-paying uses.
It hurts them because the pirates compete with the ISP’s ability to sell – over the Internet or through video-on-demand television services – the movies and television shows that they and we sell to the ISPs’ customers.

Thus more ISPs in the U.S. are now agreeing to send notices to customers when they are caught infringing, educating them about legal alternatives, and warning them that further illegal activities will result in sanctions, including termination of their account.

But sending notices, while important, is only a stopgap measure. The development of filtering technology is the best shot at relieving clogged networks by keeping copyright-infringing content off the networks in the first place. Technology is the key to impeding the downloading of pirated content while speeding the downloading of legitimate content. This helps everyone: it frees up bandwidth for ISPs … speeds up connections for consumers … and helps content companies and ISPs -- increasingly in the content distribution business -- protect their assets.

AT&T and its CEO Randall Stephenson and Senior Executive VP Jim Cicconi are in particular to be commended for publicly leading the way and making a significant commitment to expand their research efforts to develop tools to reduce piracy while protecting their users’ legitimate expectations of privacy.

Within the next few months, we hope to see the vast majority – if not all – of the eight largest U.S. ISPs embrace this approach.

Second, user-generated content sites. Today, I am happy to report, the technology exists that recognizes copyrighted content that the copyright owner does not want uploaded, and block such content from the sites. The good news is that major sites like Microsoft, Soapbox, and MySpace are using it today. It works. It will work even better in the future, and soon should become the industry standard.

Third, universities. University students are responsible for 44% of the revenue loss from piracy to the major studios, over $500 million per year. Filtering technology that will not permit copyrighted content to be passed over university networks is available, and more than 80 universities are using it to great success right now. Major public and private universities across the country should be moving rapidly to adopt these tools.

Fourth, home networking devices and other home electronics. It is clear that protections can be built in so that pirated content cannot be easily played and moved around in the home environment, while legitimate material plays without consumers even having to think twice. We’ve had success working on standards for high-definition DVDs … we need to extend this work to new devices that are on the drawing board. The technology for this exists right now. But we need the Consumer Electronic and IT companies to add the code readers to the hardware to make it effective.
Fifth, auction sites and search engines. Rights holders are working with both auction sites, like eBay, and search engines, like Yahoo!, Microsoft and Google, to develop policies and software algorithms that don’t disrupt their legitimate business, but make it a little less easy for counterfeiters and pirates to misuse their services to distribute their illicit products to witting and unwitting consumers. The CACP is working with these entities on developing “Best Practices” where technology is an important component.

I’m pleased to say that we have had very encouraging private conversations about using technology to thwart piracy with many of these intermediaries, and we very much look forward to the day soon when these private conversations become public commitments.

Let me make one final point. As I mentioned earlier, the CACP has developed a number of important legislative proposals to address piracy and counterfeiting. We expect that many of these proposals will be incorporated into important legislation in the judiciary committee and other committees. I want to call on each and every one of you to do everything possible to support these bills.

Many important issues that Congress faces – health-care reform … social security … taxes … the war in Iraq – have bogged down over partisan differences and debates between entrenched interest groups. Yet here is one issue that every member of Congress should without question be able to stand behind, because it is about the future economic health of our nation.

That is why the type of approach championed by the CACP has the support of business and of organized labor as well, as evidenced by a recent resolution adopted by the “Change to Win” coalition that includes the Teamsters and other major unions.

Effective governing is about making hard choices, difficult tradeoffs. But when it comes to strengthening our protection of intellectual property – the engine of economic growth – there is no other choice.