

COPYRIGHT INDUSTRIES IN THE U.S. ECONOMY



The 2013 Report

Copyright Industries in the U.S. Economy: The 2013 Report is the fourteenth report on the U.S. copyright industries prepared for the International Intellectual Property Alliance (IIPA) since 1990.

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- Stephen E. Siwek and Harold Furchgott-Roth, *Copyright Industries in the U.S. Economy* (released in November 1990)
- Stephen E. Siwek and Harold Furchgott-Roth, *Copyright Industries in the U.S. Economy: 1977-1990* (released in September 1992)
- Stephen E. Siwek and Harold Furchgott-Roth, *Copyright Industries in the U.S. Economy: 1993 Perspective* (released in October 1993)
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- Stephen E. Siwek, *Copyright Industries in the U.S. Economy: The 2004 Report* (released in October 2004)
- Stephen E. Siwek, *Copyright Industries in the U.S. Economy: The 2006 Report* (released in January 2007)
- Stephen E. Siwek, *Copyright Industries in the U.S. Economy: The 2003-2007 Report* (released in July 2009)
- Stephen E. Siwek, *Copyright Industries in the U.S. Economy: The 2011 Report* (released in November 2011)

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ACKNOWLEDGEMENTS

Economists Incorporated is grateful to the International Intellectual Property Alliance (IIPA) and its member associations for their support and assistance in the drafting of this *Report*. In particular, we would like to thank Michael Schlesinger of the IIPA for his guidance throughout this process. We would also like to thank Pamela Burchette for her assistance in preparing this *Report*.

The IIPA is a private sector coalition, formed in 1984, of trade associations representing U.S. copyright-based industries in bilateral and multilateral efforts working to improve international protection and enforcement of copyrighted materials, and to open up foreign markets closed by piracy and other market access barriers. IIPA’s seven member associations represent over 3,200 U.S. companies producing and distributing materials protected by copyright laws throughout the world—all types of computer software, including operating systems, systems software such as databases and security packages, business applications, and consumer applications such as games, personal finance, and reference software, free software, open source software, and software as a service, entertainment software including interactive games for videogame consoles, handheld devices, personal computers and the Internet, and educational software; motion pictures, television programming, DVDs and home video and digital representations of audiovisual works; music, records, CDs, and audiocassettes; and fiction and non-fiction books, education instructional and assessment materials, and professional and scholarly journals, databases and software in all formats. Members of the IIPA include Association of American Publishers, BSA | The Software Alliance, Entertainment Software Association, Independent Film & Television Alliance, Motion Picture Association of America, National Music Publishers’ Association, and Recording Industry Association of America.

PREFACE

Since 1984, IIPA and its association members, representing industries reliant on copyright – producers and distributors of software, movies, music, videogames, and books and journals for the world – have worked in partnership with the U.S. government to improve the ability of the copyright industries to do business in foreign markets. These efforts have resulted in significant improvements in copyright laws and enforcement around the world and in the lowering of market access barriers and addressing other policies that hinder these industries' ability to compete on a level playing field in global markets. These improvements in turn have had a substantial positive impact over the years on how these industries contribute to value added to the U.S. economy; to employment and wages; and to foreign sales and exports, thereby benefiting countless millions of individuals and enterprises in the United States.

To quantify the contribution of the copyright industries, IIPA commenced a series of economic studies in 1990. *Copyright Industries in the U.S. Economy: The 2013 Report*, the fourteenth such report, by Stephen E. Siwek of Economists Incorporated, covers the period 2009-2012. This *Report* shows that the copyright industries make up an increasingly large percentage of value added to GDP; create more and better-paying jobs; grow faster than the rest of the U.S. economy; and contribute substantially to U.S. foreign sales and exports, outpacing many industry sectors. The specific findings of this year's *Report* mark a milestone: for the first time, the contribution of the core copyright industries of the U.S. economy surpassed one trillion dollars in 2012.¹

As international trade has increased and glo-

balized, foreign governments and international IP organizations such as the World Intellectual Property Organization (WIPO) have become acutely aware of the significance of copyright industries to national economies, and the linkage to their economic growth, technological innovation, and cultural diversity. In 2003, WIPO took a critical step forward in issuing a *Guide on Surveying the Economic Contribution of the Copyright-Based Industries*. The *Guide*, developed by an experts' group which included the author of this *Report*, Stephen E. Siwek, describes methodologies for measuring the role of copyright industries in domestic economies that have now been adopted in well over 40 countries' national reports, with more in the pipeline.² These national studies provide the economic underpinnings for efforts to reform copyright law and enforcement and to lower rates of copyright piracy.

Despite the robust achievements of the copyright industries during the period covered in this *Report*, significant challenges remain. As the copyright industries derive a growing percentage of their revenue from sales outside the United States, global online and physical copyright piracy, as well as market access and other stifling discriminatory barriers to doing business in various countries, inhibit the growth of the copyright industries in the U.S. and globally. Economic reports such as this one underscore what is at stake. They provide a compelling argument for more effective legal, enforcement, and market access regimes to promote and foster the growth of the copyright industries in the U.S. and in countries around the world.

– Michael Schlesinger and Steven J. Metalitz,
International Intellectual Property Alliance

¹ The "core" copyright industries are those industries whose primary purpose is to create, produce, distribute or exhibit copyright materials, and include such sectors as computer software, videogames, books, newspapers, periodicals and journals, motion pictures, recorded music, and radio and television broadcasting.

² The various national studies are described and compared in a WIPO document, *2013 WIPO Studies on the Economic Contribution of the Copyright Industries Overview*. National studies conducted to date include: Australia (2011), Bhutan (2011), Brunei (2011), Bulgaria (2011), Canada (2004), China (2009), Colombia (2006), Croatia (2007), Dominica (2012), Grenada (2012), Finland (2010), Hungary (2010), Jamaica (2007), Jordan (2012), Kenya (2009), Korea (2012), Latvia (2004), Lebanon (2007), Lithuania (2012), Malawi (2013), Malaysia (2008), Mexico (2006), Netherlands (2009), Pakistan (2010), Panama (2009), Peru (2009), Philippines (2006), Romania (2008), Russia (2007), Singapore (2007), Slovenia (2010), South Africa (2011), St. Kitts/Nevis (2012), St. Lucia (2012), St. Vincent (2012), Tanzania (2012), Thailand (2012), Trinidad and Tobago (2011), Ukraine (2008), and United States (2011).

I. EXECUTIVE SUMMARY

This report, *Copyright Industries in the U.S. Economy: The 2013 Report*, demonstrates that the core copyright industries of the United States – those industries whose primary purpose is to create, produce, distribute or exhibit copyright materials, and which include computer software, videogames, books, newspapers, periodicals and journals, motion pictures, recorded music, and radio and television broadcasting – provide significant value added to GDP; an increasing number of high-paying jobs; real growth which outpaces the rest of the economy; and substantial foreign sales and exports, surpassing many industry sectors.

Copyright Industries Contribute Significantly to U.S. Gross Domestic Product (GDP)

- In 2012, the value added by the core copyright industries to U.S. GDP exceeded \$1 trillion dollars (\$1,015.6 billion) for the first time, accounting for 6.48% of the U.S. economy.
- In 2012, the value added by the total copyright industries³ to GDP exceeded \$1.7 trillion (\$1,765 billion), accounting for 11.25% of the U.S. economy.

Copyright Industries Employ Millions of Workers Who Earn a “Compensation Premium”

- The core copyright industries employed nearly 5.4 million workers in 2012, accounting for 4.04% of the entire U.S. workforce, and 4.83% of total private employment in the U.S.
- The annual 2012 compensation paid to core copyright workers – \$85,644 – far exceeds the average annual compensation paid to all U.S. workers – \$64,594 – amounting to a 33%

“compensation premium” over the average U.S. annual wage.

- The total copyright industries employed more than 11.1 million workers in 2012, accounting for 8.35% of all U.S. employment, or 10% (9.99%) of all private employment in the United States. The average annual compensation paid to employees of the total copyright industries in 2012, \$75,926, exceeds the U.S. average annual wage by 18%.

Copyright Industries’ Real Growth Rates Outpace the Rest of the U.S. Economy

- During the period 2009-2012, the core copyright industries grew at an aggregate annual rate of 4.73%. The average annual growth rate of the entire U.S. economy over the same period was only 2.14%, less than half as much.
- During the same period, the total copyright industries grew at an annual rate of 4.99%.

Copyright Industries Contribute Significantly to Foreign Sales and Exports, Outperforming Many Major U.S. Industry Sectors

- Sales of select U.S. copyright sectors in overseas markets amounted to \$142 billion in 2012, a significant increase over previous years.
- As a comparison, the foreign sales of select copyright industry sectors exceed foreign sales of other major U.S. industries, including aerospace exports (\$106 billion), U.S. agricultural exports (\$70.1 billion), food (\$64.7 billion) and pharmaceuticals and medicines (\$50.9 billion).

³ The “total” copyright industries include not only the core copyright but also the partial copyright, non-dedicated support, and interdependent industries. “Partial” copyright industries are industries in which only some aspect or portion of the products that they create they can qualify for copyright protection. These industries range from fabric to jewelry to furniture to toys and games. “Non-dedicated support” industries include industries that distribute both copyright and non-copyright protected materials to business and consumers. Examples here include transportation services, telecommunications and wholesale and retail trade. As in past studies, only a portion of the total value added by these industries is considered to be part of the copyright industries. “Interdependent” industries include those that produce, manufacture, and sell equipment whose function is primarily to facilitate the creation, production, or use of works of copyrighted matter. These industries include manufacturers, wholesalers and retailers of TV sets, personal computers, and other devices, and usage dependent products including blank recording material, and certain categories of paper.

II. INTRODUCTION

Copyright Industries in the U.S. Economy: The 2013 Report is the fourteenth in a series issued over the last 23 years by Economists Incorporated, updating and supplementing thirteen prior reports prepared on behalf of the IIPA. This latest *Report* presents data on the value added contributions of the copyright sector to the U.S. economy; the percentage contribution of the copyright sector to the overall U.S. economy; the relative growth of the creative industries compared with the remainder of the economy; employment levels in the creative sector; the average compensation for workers in the copyright sector in comparison to other sectors; and the contributions of selected copyright industries to exports and foreign sales. The *Report* confirms once again that the U.S. copyright industries contribute significantly to U.S. GDP. The creative industries continue to outpace the rest of the economy in real growth. The copyright industries also continue to employ millions of workers whose average compensation levels substantially exceed the average level of compensation paid to all U.S. workers. The core copyright industries of the U.S. continued to grow in terms of foreign sales and exports during 2009-2012, outperforming many key industrial sectors.

As in previous years, this study is presented in five sections:

- The copyright industries
- Value added by the copyright industries to the U.S. economy
- Employment and compensation in the copyright industries in the U.S. economy
- U.S. copyright materials in the world market
- Conclusion

This *Report* presents estimates of the copyright industries' contributions to the U.S. economy for the years 2009-2012.⁴ The underlying data used in this *Report* are current through 2012. The period covered by this *Report* was one of generally improving economic conditions in the U.S. as a whole. In 2010, the American economy began to emerge from the painful recession of 2008-2009. Subsequently, the economy expanded in 2011 and grew even more vigorously in 2012. This *Report* clearly documents the end of negative growth in value added and in employment for the copyright industries and for the U.S. economy as a whole.

This study continues to reflect the use of industry data classifications adopted under the North American Industry Classification System ("NAICS") which has been widely implemented

⁴ In this study, the values presented for 2009 have been updated from the 2009 results presented in *Copyright Industries in the U.S. Economy: The 2011 Report*. The updates result from data revisions published by the U.S. Bureau of Economic Analysis and by other government agencies since the last report was completed.

by U.S. statistical agencies. It also continues to follow the international standards and recommendations propounded by WIPO in 2003 regarding the development of economic and statistical standards to measure the impact of domestic copyright industries on domestic economies.⁵

In July 2013, the U.S. Bureau of Economic Analysis (“BEA”) announced changes in how it accounts for the costs of producing “artistic originals” in the determination of U.S. GDP, classifying them as an investment as opposed to current expenditures. Artistic originals include “books, movies, TV shows, music, photographs and greeting cards...” At this writing, BEA has not yet made use of the methodology described above to produce revised estimates of annual GDP by industry. Indications are that applying its methodology looking at the economic benefit of the “costs” of production would result in increases in the contribution of industries associated with “artistic originals.”⁶ However, given the lack of revised data to date, the U.S. copyright industry results presented in this *Report* do not reflect the possible effect of the BEA capitalization procedures.

The data in this study quantify the size and critical importance of the copyright industries to the U.S. economy, generally using the most

current data available. As in past studies, the U.S. copyright industries’ contribution to the U.S. economy is measured by three economic indicators: value added to the U.S. GDP in current dollars; industry employment and share of national employment; and revenues generated from foreign sales and exports. Further, this study includes two additional indicators of the importance of the copyright industries to the U.S. economy: compensation per employee, and real annual growth. As set forth below, during the period 2009-2012, the copyright industries, both core and total, achieved real growth rates in excess of 4.5% per year. By contrast, during the period considered in the *Copyright Industries in the U.S. Economy: The 2011 Report* (2007-2010), the copyright industries produced real growth rates of less than 1.5% annually.

Of course, the copyright industries were not the only beneficiaries of the improving economic climate after 2009. For example, during the years 2009-2012, real GDP for the U.S. as a whole increased at an annual rate of 2.14%. This growth rate significantly exceeded the annual growth figures reported in the 2011 study for the U.S. as a whole. U.S. real annual growth over that period (2007-2010) was only 0.05%. As this study documents, the U.S. copyright industries continue to make a disproportionately positive contribution to real growth in U.S. GDP.

⁵ The author of this *Report*, Stephen E. Siwek, participated as an expert at the meeting of the “Working Group of Experts on the Preparation of a WIPO Handbook on Survey Guidelines for Assessing the Economic Impact of Copyright and Related Rights” which was co-sponsored by WIPO and held in Helsinki, Finland, in July 2002. That meeting launched the process which resulted in WIPO’s 2003 publication of its *Guide on Surveying the Economic Contribution of the Copyright-Based Industries* which describes many of the recommendations and standards used in this *Report*.

⁶ BEA is expected to publish revised estimates of annual value added by industry in December 2013.

III. THE COPYRIGHT INDUSTRIES

In nine of our thirteen prior reports, we divided the copyright industries into four groups: core, partial, distribution, and copyright-related; these are the sectors we developed and defined in our first report issued in 1990. In the four most recent reports (2004, 2006, 2003-2007, and 2011), we still used four categories, but in order to conform to the international standard, we relied upon the four copyright industry categories defined by WIPO in its 2003 *Guide*: core copyright, partial copyright, non-dedicated support, and interdependent industries.

The **core** copyright industries are those industries whose primary purpose is to create, produce, distribute or exhibit copyright materials. These industries include computer software, videogames, books, newspapers, periodicals and journals, motion pictures, recorded music, and radio and television broadcasting.

Partial copyright industries are industries in which only some aspect or portion of the products that they create can qualify for copyright protection. These industries range from fabric

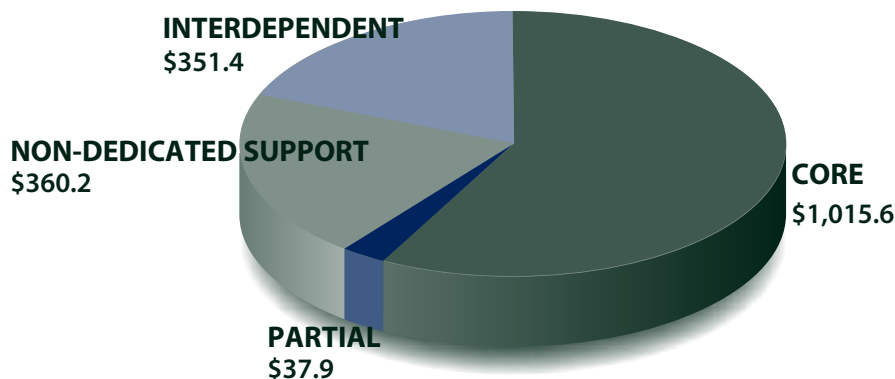
to jewelry to furniture to toys and games.

Non-dedicated support industries include those that distribute both copyright and non-copyright protected materials to businesses and consumers. Examples here include transportation services, telecommunications and wholesale and retail trade. As in past studies, only a portion of the total value added by these industries is considered to be part of the copyright industries.

Interdependent industries include those that produce, manufacture, and sell equipment whose function is primarily to facilitate the creation, production, or use of works of copyrighted matter. These industries include manufacturers, wholesalers and retailers of TV sets, personal computers and usage dependent products including blank recording material, and certain categories of paper.

We refer to the four groups together – core, partial, non-dedicated support, and interdependent – as the “**total**” copyright industries.

COPYRIGHT INDUSTRIES IN THE US ECONOMY 2012
(VALUE ADDED IN BILLIONS OF DOLLARS)



TOTAL: \$1,765.2 BILLION OR \$1.765 TRILLION

IV. VALUE ADDED BY THE COPYRIGHT INDUSTRIES

The most appropriate way to measure an industry's contribution to the national economy is to measure the industry's value added. Value added reflects the economic contribution of labor and capital of a particular industry. The sum of the value added of all industries in the United States is equal to gross domestic product (GDP), a standard measure of the size of the U.S. economy. For this reason, value added calculations can be used to draw comparisons of the relative size and growth rates of different industries in a way that is consistent with the federal government's national income and product accounting data.

The value added estimates for the copyright industries that are contained in this *Report* reflect underlying data obtained from the BEA, the U.S. Census Bureau and other government statistical agencies. In particular, the estimates of copyright industry value added make direct use of the industry-specific estimates of U.S. value added that are regularly published by the

BEA. These industry-specific estimates (in both current dollar and real terms) are used as starting points to derive the contributions made by the core and total copyright industries to U.S. GDP.⁷

As noted above, the harmful effects of the recession of 2008-2009 were much diminished by 2010 and most U.S. industries experienced increasing sales and profits during those years. Nevertheless, the copyright industries remained a particularly important contributor to U.S. GDP. As shown in Table 1, the current dollar value added to U.S. GDP by the core copyright industries reached over \$1 trillion (\$1,015.6 billion) in 2012. In the same year, U.S. GDP reached \$15.68 trillion. Thus, in 2012, the core copyright industries constituted a 6.48% share of nominal U.S. GDP. The value added by the total copyright industries in the same period is also shown in Table 1, which reports the value added to U.S. GDP by the total copyright industries in 2012 was \$1.765 trillion, or 11.25% of U.S. GDP.

2009-2012 VALUE ADDED (BILLIONS OF US DOLLARS)

TABLE 1:

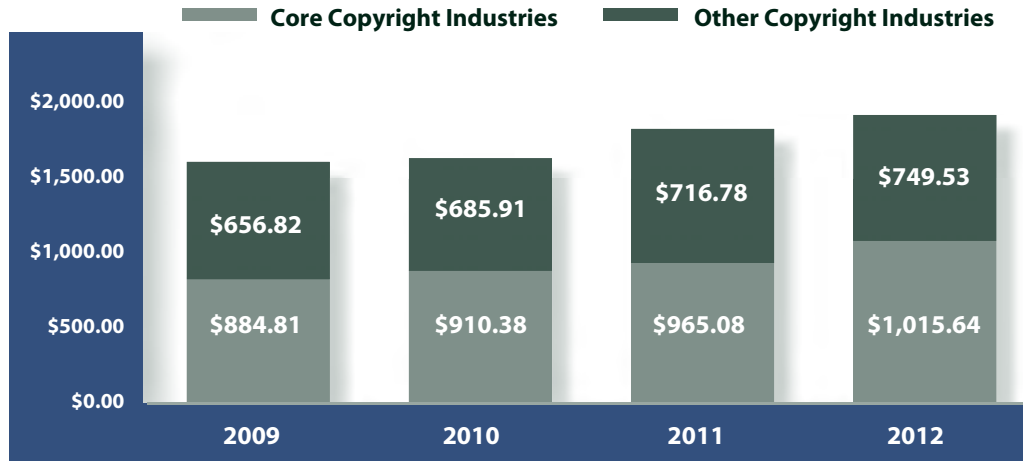
	2009	2010	2011	2012
Core Copyright Industries	\$884.8	\$910.4	\$965.1	\$1,015.6
Total US GDP	\$13,973.7	\$14,498.9	\$15,075.7	\$15,684.8
Core Share of US GDP	6.33%	6.28%	6.40%	6.48%
	2009	2010	2011	2012
Total Copyright Industries	\$1,541.6	\$1,596.2	\$1,681.9	\$1,765.2
Total US GDP	\$13,973.7	\$14,498.9	\$15,075.7	\$15,684.8
Total Share of US GDP	11.03%	11.01%	11.16%	11.25%

The current dollar estimates of the value added for the core copyright industries in 2009, 2010, 2011 and 2012, also expressed below in Chart 1, show an increase from \$884.81 billion in 2009 to \$1,015.64 billion, or more than \$1 trillion, in 2012. The estimated value added for the other (non-core) copyright industries rose from \$656.82 billion in 2009 to \$749.53 billion in 2012.

⁷ See Section II and Appendix B for a discussion of recent changes announced in calculation of certain sectors by BEA.

COPYRIGHT INDUSTRIES VALUE ADDED (IN BILLIONS OF CURRENT DOLLARS)

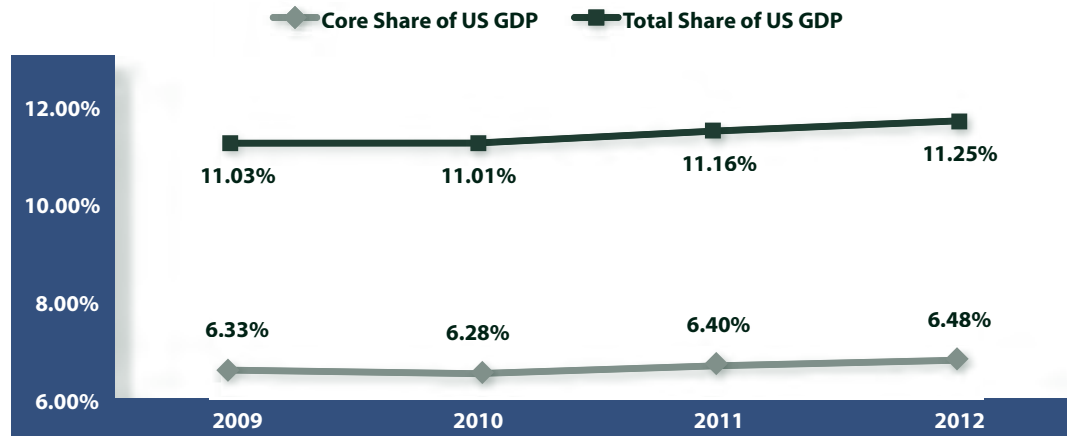
CHART 1:



The copyright industries' current dollar share of the U.S. economy is also expressed in Chart 2. On the basis of the methodology described above, we now estimate that the core copyright industries' current dollar share of the U.S. economy has increased from approximately 6.3% to nearly 6.5% of the U.S. economy over the years 2009 through 2012. The core copyright industries' current dollar share of the U.S. economy reached 6.48% in 2012. During that same period, the total copyright industries current dollar share of U.S. GDP reached 11.25% in 2012.

COPYRIGHT INDUSTRIES SHARE OF CURRENT DOLLAR GDP

CHART 2:



To put these figures in perspective, it is useful to compare the economic contributions of the U.S. copyright industries to the contributions made by other U.S. industries in the same time period. Inter-industry comparisons to the U.S. copyright industry are shown in Table 2.

Table 2 reports the total value added to the U.S. economy by the entire federal government in 2012 was \$668.3 billion.⁸ This amount is substantially lower than the value added by the total copyright industries in the same year. In 2012, the total value added to the U.S. economy by state and local governments was \$1,357.9 billion. This value is approximately 23% lower than the value added by the total copyright industries in 2012. Comparisons of the copyright industry's value added in 2011 and 2012, to other sectors of the U.S. economy are also provided in Table 2. These comparisons clearly document the size and importance of the copyright industries today.

2011 AND 2012 VALUE ADDED COMPARISONS TO OTHER SECTORS (BILLIONS OF US DOLLARS)

TABLE 2:

	2011	2012
Core Copyright - Value Added	\$965.1	\$1,015.6
Total Copyright - Value Added	\$1,681.9	\$1,765.2
Federal Government - Value Added	\$658.1	\$668.3
State and Local Government - Value Added	\$1,335.8	\$1,357.9
Construction - Value Added	\$529.5	\$558.7
Health Care and Social Assistance - Value Added	\$1,136.9	\$1,164.8
Finance and Insurance - Value Added	\$1,159.3	\$1,242.3

Since BEA calculates both current dollar and constant dollar value added for the industry classifications that it analyzes, we can estimate real growth rates of the copyright industries. In this *Report*, the constant dollar value added figures are used to derive estimates of the real growth rates achieved by the core and total copyright industries on a year by year basis. These data are also used to measure the contribution made by the copyright industries to the real annual growth achieved by the U.S. economy as a whole.

Real growth rates in value added experienced by the U.S. copyright industries and by the U.S. economy during the period 2009-2012 are provided in Table 3.⁹ For each of the periods 2009-2010, 2010-2011, and 2011-2012, the U.S. core copyright industries experienced positive real growth in excess of 3.9% annually. Over the entire period 2009-2012, the core copyright industries grew at a real annual growth rate of 4.73%.

⁸ U.S. GDP figures from Elrod, A., Lindberg, B., and Morgan, E., *Annual Industry Accounts – Advanced Statistics on GDP by Industry*, Survey of Current Business, May 2013, Table 7. (Hereinafter – U.S. BEA, Annual Industry Accounts).

⁹ Real growth rates measure changes in constant dollar value added over time. In these estimates, current dollar value added figures are converted to “chained” dollars for the year 2005.

The total copyright industries experienced a comparable pattern of real growth during the years 2009-2012. As shown in Table 3, in 2009-2010, 2010-2011, and 2011-2012, the total copyright industries grew at annual rates in excess of 4.3% per year. For the full period 2009-2012, the real value added by the total copyright industries grew at a rate of 4.99% per year.

Both the U.S. copyright industries and the U.S. economy experienced positive real annual growth during the years 2010 through 2012. In order to provide a basis of comparison, the growth patterns for the U.S. economy are also provided in Table 3.

For the period 2009-2012, the U.S. economy grew at an annual rate of 2.14%. For the individual years 2009-2010, 2010-2011, and 2011-2012, the U.S. economy increased at annual rates of 2.39%, 1.81% and 2.21% respectively. As these figures make clear, for this period, the compound annual growth rate achieved by the U.S. copyright industries significantly exceeded the compound annual growth rate achieved by the U.S. economy as a whole. Overall, these industry sectors grew more than twice as fast as the economy as a whole during the period 2009 to 2012.

REAL ANNUAL GROWTH RATES VALUE ADDED TO US GDP

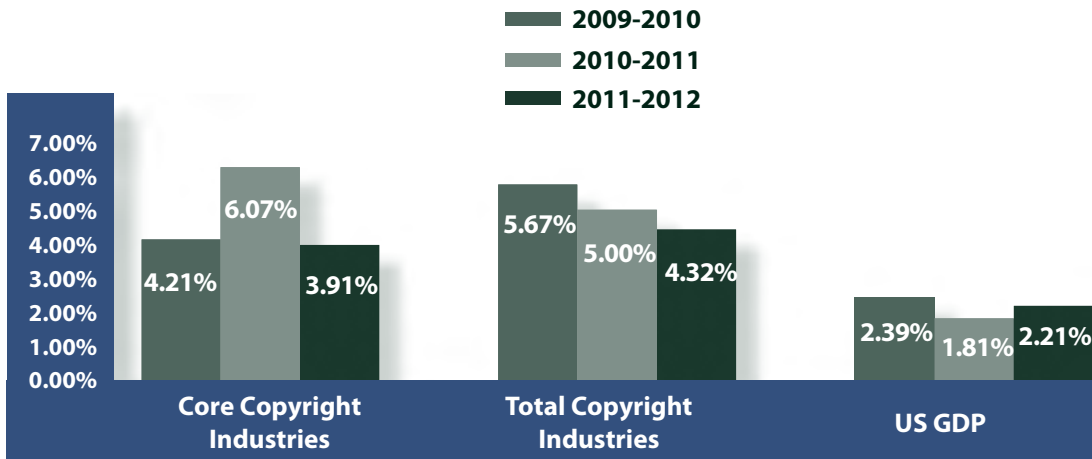
TABLE 3:

	2009-2010	2010-2011	2011-2012	<i>Annual Growth Rate 2009-2012</i>
Core Copyright Industries	4.21%	6.07%	3.91%	4.73%
Total Copyright Industries	5.67%	5.00%	4.32%	4.99%
US GDP	2.39%	1.81%	2.21%	2.14%

The real (constant dollar) annual growth rates experienced by the copyright industries during the periods 2009-2010, 2010-2011, and 2011-2012 are also expressed in Chart 3. As shown in Chart 3, the core copyright industries grew in excess of 3.9% in 2009-2010, 2010-2011, and 2011-2012, with a peak growth rate of 6.07% in 2010-2011. Similarly, as shown in the Chart, the total copyright industries grew sizably, in excess of 4.3% in 2009-2010, 2010-2011, and 2011-2012, with a peak growth rate of 5.67% in 2009-2010. By contrast, as noted, the real growth rates achieved by the U.S. economy as a whole were 2.39% in 2009-2010, 1.81% in 2010-2011, and 2.21% in 2011-2012. As Chart 3 demonstrates graphically, since 2009 the core and the total copyright industries have grown substantially faster than the real annual rate of growth experienced for the U.S. GDP as a whole.

REAL ANNUAL GROWTH RATES COPYRIGHT INDUSTRIES AND US GDP

CHART 3:



V. EMPLOYMENT AND COMPENSATION IN THE COPYRIGHT INDUSTRIES

In this *Report*, we estimate the number of workers employed in the core and total copyright industries for the years 2009-2012. The procedures used to derive our estimates of employment were largely based on the formulas derived in prior reports. In those reports, employee counts were derived to be consistent in both the NAICS and ISIC classification systems. As in the past, the actual employee counts by NAICS code were extracted from the Bureau of Labor Statistics (“BLS”) database.

Employment figures for the core and total copyright industries for the years 2009, 2010, 2011, and 2012 are provided in Table 4. As shown in Table 4, the core copyright industries employed 5,178,100 workers in 2009, representing 3.96% of the total U.S. workforce. By 2012, the number of core copyright employees in the United States had increased by 221,000 workers to 5,399,100. These workers represented 4.04% of the total U.S. workforce in 2012. In 2009, the total copyright industries employed more than 10.8 million workers. By 2012, employment in the total copyright industries had increased to more than 11.17 million. During the same period, total U.S. employment increased from 130,859,000 in 2009 to 133,736,200 in 2012.

2009-2012 TOTAL EMPLOYMENT (IN THOUSANDS)

TABLE 4:

	2009	2010	2011	2012
Core Copyright Industries	5,178.1	5,202.9	5,296.9	5,399.1
Total US Employment	130,859.0	129,911.1	131,499.8	133,736.2
Core Share of US	3.96%	4.00%	4.03%	4.04%
	2009	2010	2011	2012
Total Copyright Industries	10,818.5	10,776.9	10,944.1	11,170.9
Total US Employment	130,859.0	129,911.1	131,499.8	133,736.2
Total Share of US	8.27%	8.30%	8.32%	8.35%

For U.S. private industry, employment growth during the years 2009 through 2012 was comparable to the employment trends experienced for the U.S. economy as a whole. As shown in Table 5, total U.S. private employment increased from 108,306,000 in 2009 to 111,822,100 in 2012. During these years, the core copyright industries maintained a roughly 4.8% share of all private employment while the total copyright industries' share of private employment remained at or near 10% for the entire period.

2009-2012 TOTAL PRIVATE EMPLOYMENT (IN THOUSANDS)

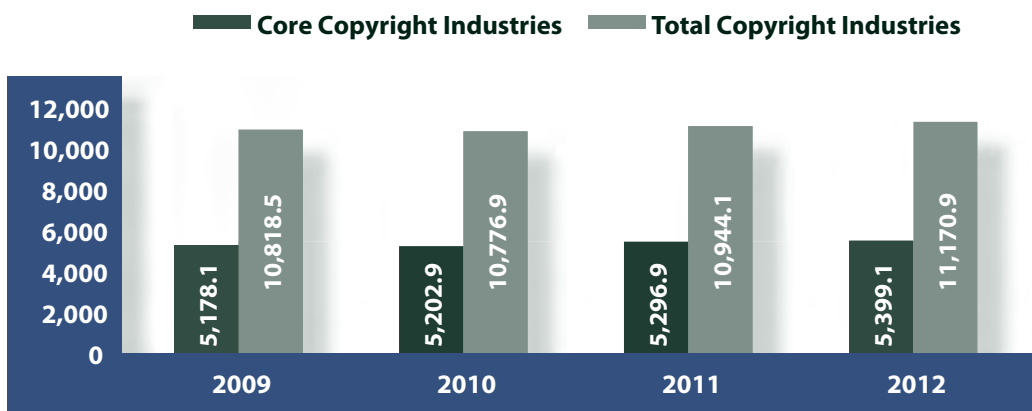
TABLE 5:

	2009	2010	2011	2012
Core Copyright Industries	5,178.1	5,202.9	5,296.9	5,399.1
Total US Private Employment	108,306.0	107,420.1	109,408.3	111,822.1
Core Share of US	4.78%	4.84%	4.84%	4.83%
	2009	2010	2011	2012
Total Copyright Industries	10,818.5	10,776.9	10,944.1	11,170.9
Total US Private Employment	108,306.0	107,420.1	109,408.3	111,822.1
Total Share of US	9.99%	10.03%	10.00%	9.99%

U.S. copyright industry employment is also expressed in Chart 4. Chart 4 demonstrates graphically that the total number of workers in the core copyright industries consistently increased from 2009 to 2012.¹⁰ Because U.S. total employment also rose in this period, the core copyright industries' share of total U.S. employment remained at approximately 4%, while the total copyright industries' share of employment increased from 8.27% in 2009 to 8.35% in 2012.

US COPYRIGHT INDUSTRY EMPLOYMENT (IN THOUSANDS)

CHART 4:



In this *Report*, we also quantify the average compensation per employee received by workers in the copyright industries and in the U.S. as a whole for the years 2009-2012. In these calculations “compensation” means “wages and salary accruals and supplements to wages and salary accruals.”¹¹ These supplements include “employer contributions for employee pensions and insurance funds and employer contributions for government social insurance.” These data are shown in Table 6.

During the period 2009-2012, average compensation per employee in both the core and total copyright industries increased. As shown in Table 6, average compensation earned by core copyright employees stood at \$85,643.9 in 2012. This value was nearly 33% higher than the average compensation paid to all U.S. employees in 2012. For total copyright industry workers, average compensation in 2012 was \$75,925.9, almost 18% higher than the U.S. average.

¹⁰ As a whole, the core copyright industries have consistently been able to add jobs to the U.S. economy. Within the core however, certain component industries, particularly in the printing sector, have experienced declines in employment since the late 1990s.

¹¹ The definition of compensation used in this *Report* tracks that used by the U.S. Bureau of Economic Analysis.

2009 – 2012 COMPENSATION PER EMPLOYEE (US DOLLARS)

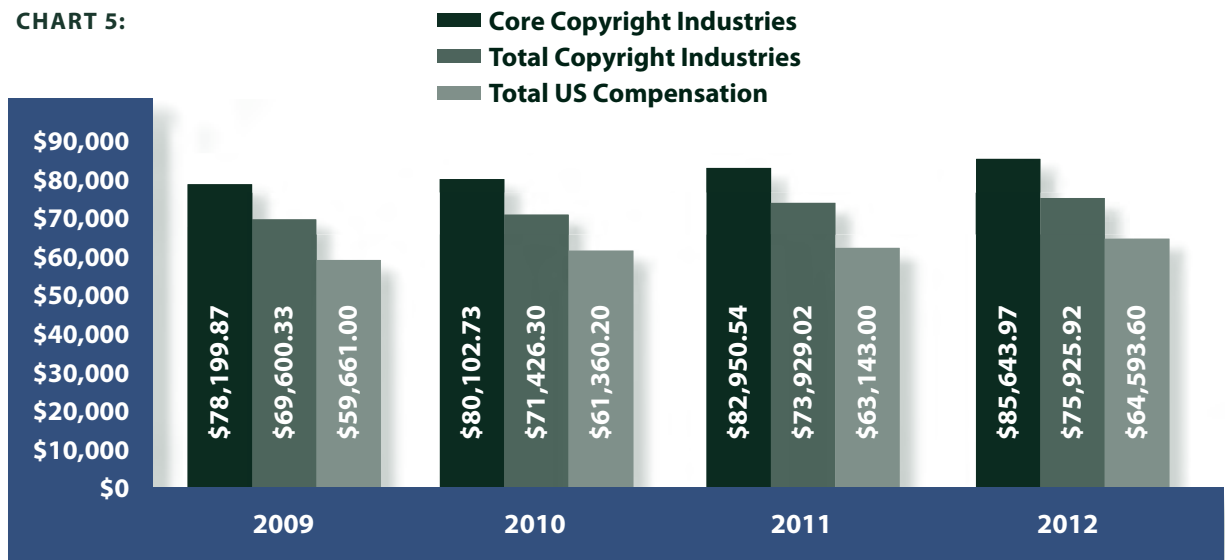
TABLE 6:

	2009	2010	2011	2012
Core Copyright Industries	\$78,199.8	\$80,102.7	\$82,950.5	\$85,643.9
Total US Compensation	\$59,661.0	\$61,360.2	\$63,143.0	\$64,593.6
Ratio: Core to US	1.31	1.31	1.31	1.33
	2009	2010	2011	2012
Total Copyright Industries	\$69,600.3	\$71,426.3	\$73,929.0	\$75,925.9
Total US Compensation	\$59,661.0	\$61,360.2	\$63,143.0	\$64,593.6
Ratio: Total to US	1.17	1.16	1.17	1.18

Compensation data are also reported graphically in Chart 5. The compensation “premium” paid to workers in the copyright industries continued and increased through 2010, 2011, and 2012.

US COPYRIGHT INDUSTRY COMPENSATION PER EMPLOYEE

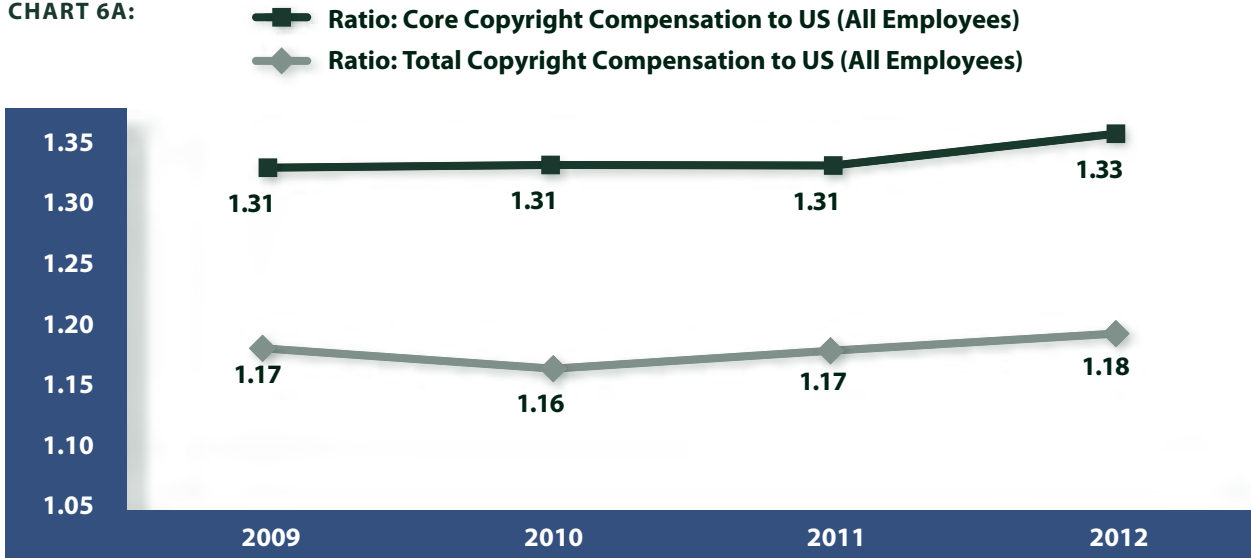
CHART 5:



The compensation premium ratio is also expressed in Chart 6A. As shown in Chart 6A, the average compensation paid to employees in the core and total copyright industries is compared to the average compensation paid to all workers in the United States. For core copyright employees, the compensation premium rose to 33% in 2012. For total copyright employees, the compensation premium rose to 18% in 2012, with its average for the period reported at about 17%. In other words, core copyright employees on average received 33% more compensation than the average U.S. worker in 2012, while total copyright industry employees received about 18% more compensation in 2012.

US COPYRIGHT INDUSTRY COMPENSATION RATIOS COMPARED TO ALL US EMPLOYEES (1.00=100%)

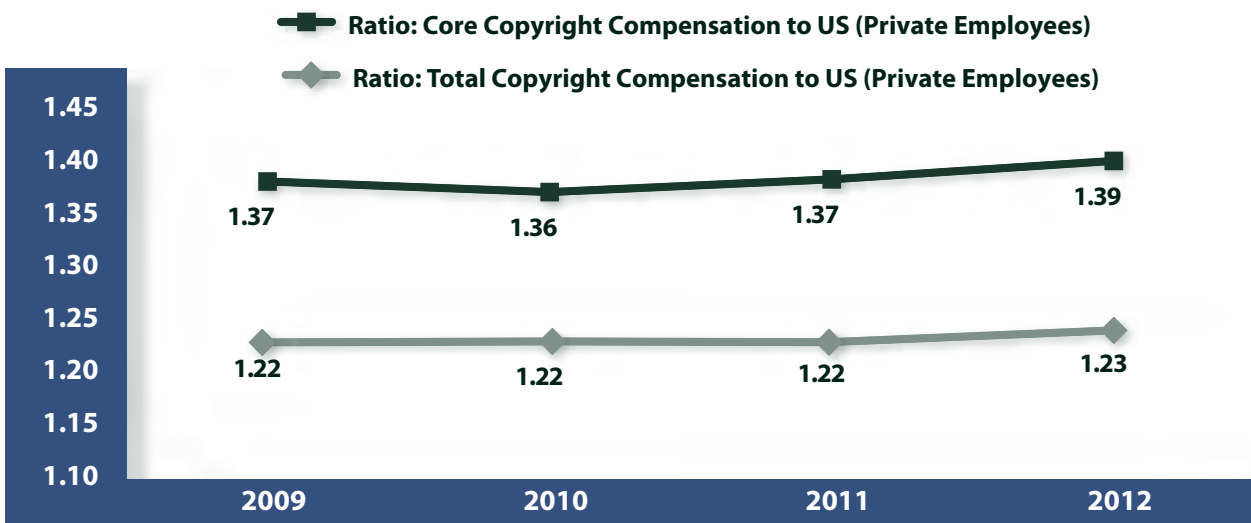
CHART 6A:



As noted, copyright industry workers are paid more than the average U.S. worker in private industry, and the compensation premium is even more pronounced when copyright workers are compared with only private industry workers. As shown in Chart 6B, the compensation paid to workers in the core copyright industries has generally been about 37% higher than the average compensation paid to U.S. private industry employees, and rose to a 39% compensation premium in 2012. Similarly, the compensation paid to workers in the total copyright industries has generally been about 22% higher than the average compensation paid to U.S. private industry employees as a whole, rising to a 23% compensation premium in 2012.

US COPYRIGHT INDUSTRY COMPENSATION RATIOS COMPARED TO PRIVATE US EMPLOYEES (1.00=100%)

CHART 6B:



VI. U.S. COPYRIGHT MATERIALS IN WORLD MARKETS

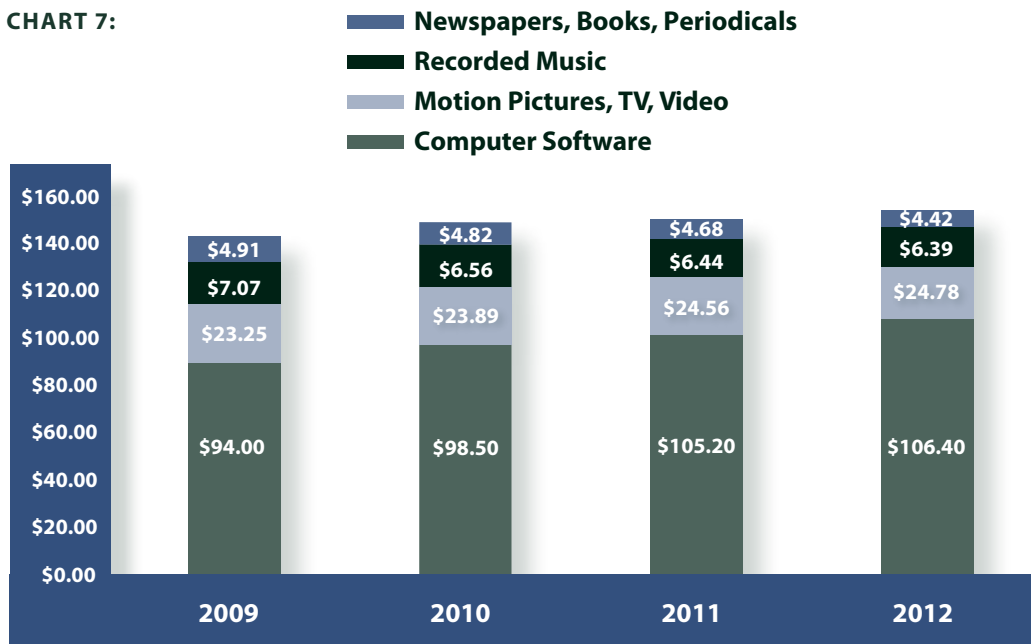
Consumers in non-U.S. markets continue to demand products that embody American creativity. Copyright products that are sold abroad may be manufactured in the U.S. or in foreign markets but, in either case, the creative components of those products are nurtured by the protection afforded under U.S. laws.

As noted in prior reports on these industries, we believe that the U.S. government's statistics on "exports" of copyright products fail to accurately measure the true value of American copyright works sold abroad, particularly in light of the increasing importance of digital trade in legitimate copyright goods and services around the globe. We recognize that, in recent years, efforts have been undertaken to improve the scope of the copyright product export statistics that are gathered in government surveys. For example, the U.S. Census Bureau now reports "Estimated Export Revenue for Employer firms," for a number of the copyright industries including the motion picture industry and the sound recording industry.¹² However, the export statistics reported by Census are substantially lower than foreign market sales figures derived from non-government sources.

As in past reports, we again provide estimates of foreign sales and exports for four selected core copyright industries during the years 2009 through 2012. These core industries are: the sound recording industry, the motion picture industry, the computer software industry, and the non-software publishing industry which includes newspapers, books, and periodicals. For these years, we report total foreign sales for the "selected" core copyright industries of \$129.2 billion in 2009,¹³ \$133.8 billion in 2010, \$140.9 billion in 2011, and \$142.0 billion in 2012. In Chart 7, these estimates are disaggregated as among the four copyright industries studied. The underlying figures by industry are also provided in Appendix A, Table A.5.

2009-2012 REVENUE GENERATED BY FOREIGN SALES/EXPORTS OF SELECTED COPYRIGHT INDUSTRIES (IN BILLIONS OF DOLLARS)

CHART 7:



¹² See, e.g., U.S. Census Bureau, Information Sector Services (NAICS 51), *Estimated Export Revenue for Employer Firms*.

¹³ See *Copyright Industries in The U.S. Economy: The 2011 Report*, Table A.3, page 17.

Annual growth rates for foreign sales of the selected core copyright industries are provided in Table 7. As shown below, foreign sales for these industries increased substantially in 2010 and 2011 but remained essentially flat in 2012.

ANNUAL GROWTH RATE OF FOREIGN SALES AND EXPORTS

TABLE 7:

	2010	2011	2012
Growth Rate	3.6%	5.3%	0.8%

In addition, the foreign sales/exports of the core copyright industries remain significantly larger than the exports of many other major industry sectors. As reported in Table 8, in 2011, the core copyright industries generated non-U.S. sales of \$140.9 billion, exceeding foreign sales and/or exports for other key sectors of the U.S. economy, including chemicals (excluding pharmaceuticals and medicines), aerospace products and parts, agricultural products, food and kindred products, and pharmaceuticals. In 2012, the core copyright industries generated non-U.S. sales of \$142.0 billion, again out-performing most industry sectors surveyed, including U.S. aerospace exports (\$105.8 billion), U.S. agricultural exports (\$71.1 billion), food (\$64.7 billion), and pharmaceuticals and medicines (\$50.9 billion). By contrast, the U.S. chemical industry (excluding pharmaceuticals and medicines) achieved slightly higher foreign sales of \$146.7 billion in 2012.¹⁴

FOREIGN SALES AND EXPORTS FOR SELECTED INDUSTRIES (BILLIONS OF US DOLLARS)

TABLE 8:

	2011	2012
Selected Copyright Industries (Computer Software; Motion Pictures, TV, Video; Recorded Music; Newspapers, Books, Periodicals)	\$140.9	\$142.0
Chemicals (excluding Pharmaceuticals & Medicines)	\$131.6	\$146.7
Aerospace Products & Parts	\$89.4	\$105.8
Agricultural Products	\$72.0	\$71.1
Food and Kindred Products	\$59.9	\$64.7
Pharmaceuticals & Medicines	\$47.9	\$50.9

¹⁴ In this Report, U.S. exports by industry were taken from the International Trade Statistics "Censtats" data base at the U.S. Census Bureau. Export statistics by industry were identified by NAICS code.

VII. CONCLUSION

The U.S. copyright industries have consistently outperformed the rest of the U.S. economy, in terms of their real annual growth rates and their contributions to the overall growth of the U.S. economy as a whole. These industries also command significant shares of U.S. gross domestic product and they employ millions of U.S. workers. In addition, the average compensation paid to U.S. workers in the copyright industries consistently and substantially exceeds the average compensation level paid to U.S. workers as a whole, and even more significantly exceeds the average compensation paid to U.S. private sector workers. Finally, the copyright industries continue to play a prominent role in the growth of U.S. exports.

Value added in the copyright industries continues to grow. As of 2012, the value added by the core copyright industries exceeded \$1 trillion (\$1,015.6 billion) for the first time, approximately 6.48% of U.S. GDP. In the same year, value added for the total copyright industries stood at well over \$1.7 trillion (\$1,765.2 billion), amounting to 11.25% of GDP. In 2009-2010, 2010-2011, and 2011-2012, the real annual growth rates achieved by both the core and total copyright industries were significantly higher than the real annual growth rates exhibited by the U.S. as a whole.

The U.S. core copyright industries now employ nearly 5.4 million workers while some 11.2 million people are employed by the total copyright industries. The annual compensation paid to core copyright workers now exceeds the average annual compensation paid to all U.S. workers by 33%. The average compensation paid to employees of the total copyright industries exceeds the U.S. average by 18%. Compared with all private sector workers, the compensation premium comes in even higher, at 39% for core copyright industry workers, and 23% for total copyright industry workers.

Sales for U.S. copyright sectors continue to expand in overseas markets. We estimate that total core copyright sales in foreign markets for four major copyright sectors exceeded \$129 billion in 2009, and \$142 billion in 2012. The foreign sales of the copyright industries continue to exceed foreign sales of many other U.S. industries including aerospace, agricultural products, food and kindred products, and pharmaceuticals and medicines.

These consistently positive trends solidify the status of the copyright industries as a key engine of growth for the U.S. economy as a whole. New technologies leading to the development of new distribution methods for legitimate copyrighted products, supported by good laws and enforcement, will allow the U.S. copyright-based industries to enjoy economic growth in the future.

APPENDIX A: TABLES OF STATISTICS

CORE COPYRIGHT INDUSTRIES VALUE ADDED TO US GDP

TABLE A.1

Nominal Value Added <i>(Billions of dollars)</i>	2009 Rev.	2010	2011	2012 est.
Core Copyright	\$884.81	\$910.38	\$965.08	\$1,015.64
US GDP	\$13,973.70	\$14,498.90	\$15,075.70	\$15,684.80
Share	6.33%	6.28%	6.40%	6.48%
Real Value Added <i>(Billions of 2005 dollars)</i>	2009 Rev.	2010	2011	2012 est.
Core Copyright	\$864.05	\$900.44	\$955.10	\$992.46
US GDP	\$12,757.90	\$13,063.00	\$13,299.10	\$13,593.20
Annual Growth in Real Value Added	2008-2009	2009-2010	2010-2011	2011-2012
Core	N/A	4.21%	6.07%	3.91%
US GDP	N/A	2.39%	1.81%	2.21%

Compound Annual Growth Rates *(2009-2010 to 2011-2012)*

Core	4.73%
US GDP	2.14%

**TOTAL COPYRIGHT INDUSTRIES
VALUE ADDED TO US GDP**

TABLE A.2

Nominal Value Added (Billions of dollars)	2009 Rev.	2010	2011	2012 est.
Total Copyright	\$1,541.63	\$1,596.29	\$1,681.86	1,765.17
US GDP	\$ 13,973.70	\$14,498.90	\$15,075.70	\$15,684.80
Share	11.03%	11.01%	11.16%	11.25%
Real Value Added (Billions of 2005 dollars)	2009 Rev.	2010	2011	2012 est.
Total Copyright	\$1,536.50	\$1,623.55	\$1,704.71	\$1,778.42
US GDP	\$12,757.90	\$13,063.00	\$13,299.10	\$13,593.20
Annual Growth in Real Value Added	2008-2009	2009-2010	2010-2011	2011-2012
Total Copyright	N/A	5.67%	5.00%	4.32%
US GDP	N/A	2.39%	1.81%	2.21%

**Compound Annual Growth Rates
(2009-2010 to 2011-2012)**

Total	4.99%
US GDP	2.14%

US COPYRIGHT INDUSTRY EMPLOYMENT (IN THOUSANDS)

TABLE A.3

Core Copyright	2009 rev.	2010	2011	2012
Core Copyright Employment	5,178.1	5,202.9	5,296.9	5,399.1
Total US Employment	130,859.0	129,911.1	131,499.8	133,736.2
Total Private US Employment	108,306.0	107,420.1	109,408.3	111,822.1
Core Copyright Share of US	3.96%	4.00%	4.03%	4.04%
Core Copyright Share of Private US	4.78%	4.84%	4.84%	4.83%
Total Copyright	2009 rev.	2010	2011	2012
Total Copyright Employment	10,818.5	10,776.9	10,944.1	11,170.9
Total U.S. Employment	130,859.0	129,911.1	131,499.8	133,736.2
Total Private US Employment	108,306.0	107,420.1	109,408.3	111,822.1
Total Copyright Share of US	8.27%	8.30%	8.32%	8.35%
Total Copyright Share of Private US	9.99%	10.03%	10.00%	9.99%

US COPYRIGHT INDUSTRY COMPENSATION PER EMPLOYEE (DOLLARS)

TABLE A.4

Core Copyright	2009 rev.	2010	2011	2012
Core Copyright Compensation/Employee	\$78,199.87	\$80,102.73	\$82,950.54	\$85,643.97
Average US Compensation/Employee	\$59,661.00	\$61,360.20	\$63,143.00	\$64,593.60
Average Private US Compensation/ Employee	\$57,021.60	\$58,736.80	\$60,417.20	\$61,805.10
Ratio: Core Copyright Compensation to US	1.31	1.31	1.31	1.33
Ratio: Core Copyright Compensation to Private US	1.37	1.36	1.37	1.39
Total Copyright	2009 rev.	2010	2011	2012
Total Copyright Compensation / Employee	\$69,600.33	\$71,426.30	\$73,929.02	\$75,925.92
Average US Compensation / Employee	\$59,661.00	\$61,360.20	\$63,143.00	\$64,593.60
Average Private US Compensation / Employee	\$57,021.60	\$58,736.80	\$60,417.20	\$61,805.10
Ratio: Total Copyright Compensation to US	1.17	1.16	1.17	1.18
Ratio: Total Copyright Compensation to Private US	1.22	1.22	1.22	1.23

2009-2012 REVENUE GENERATED BY FOREIGN SALES/EXPORTS OF SELECTED US CORE COPYRIGHT INDUSTRIES (BILLIONS OF DOLLARS)

TABLE A.5

Industry	2009 Rev.	2010	2011	2012
Recorded Music	\$7.07	\$6.56	\$6.44	\$6.39
Motion Pictures, TV, Video	\$23.25	\$23.89	\$24.56	\$24.78
Computer Software	\$94.00	\$98.50	\$105.20	\$106.40
Newspapers, Books, Periodicals	\$4.91	\$4.82	\$4.68	\$4.42
Total for Selected Industries	\$129.2	\$133.8	\$140.9	\$142.0

APPENDIX B: BEA'S REVISIONS IN TREATMENT OF ENTERTAINMENT EXPENDITURES

Introduction

In July 2013, the U.S. Bureau of Economic Analysis ("BEA") announced changes in how it accounts for the costs of producing "artistic originals" in the determination of U.S. Gross Domestic Product ("GDP"), classifying them as an investment as opposed to current expenditures. Artistic originals include "books, movies, TV shows, music, photographs and greeting cards..."¹⁵ The revisions have been undertaken as part of the BEA's 14th comprehensive revision of the U.S. national income and product accounts.

Historically, industry expenditures for entertainment, literary and artistic "originals" have been recorded as intermediate inputs used up during the production of other goods. Because the costs of these originals were treated as intermediate inputs, they were not included in U.S. GDP. From an end-user viewpoint however, these costs were recovered as part of the ticket sales, DVD sales and rental fees that the entertainment industries charged to view the final creative product.

In accord with its 14th comprehensive revision, the BEA now treats the costs of certain artistic originals not as current expenditures but rather as long-lived investments. In BEA's view, "These expenditures have many characteristics of other fixed assets – ownership rights can be established – and they are long lasting and used repeatedly in production processes."¹⁶

Measurement Process

In order to implement the proposed revisions, BEA is adopting the following procedure. First, BEA is estimating the total current period revenue from licensing fees, merchandise sales, ticket sales, and other revenue generating activities for the industries producing the assets.¹⁷ Second, the value of sales costs – such as advertising, manufacturing of reproductions, and other marketing type costs – are subtracted from the total current period revenues to derive net revenue values. Third, these net revenue values are adjusted further to include only the revenue from the release of new works (that is "originals") using BEA-derived investment values.

In the final step of the analysis, BEA is making use of Net Present Value ("NVP") ratios to complete its valuations of these assets. BEA assumes a seven percent (7%) real discount rate for all asset types and is applying an NPV adjustment factor, a ratio that represents the average NPV-to-current period revenues from new works, to current year revenues. This procedure permits BEA to derive estimates of the net current investments made by businesses in entertainment originals for any given year.¹⁸

As part of this process, BEA must also determine the appropriate service lives and depreciation rates to apply to particular entertainment investments over time. BEA estimates applying the following annual depreciation rates to specific types of entertainment assets: motion pictures – 3.8%; television programs – 16.8%; music – 26.7%; books – 12.1%; and theatrical play scripts, greeting card designs and stock photography – 10.9%.¹⁹

¹⁵ Somer, Jeff, *Getting Creative with the GDP*, <http://www.nytimes.com/2013/07/28/>.

¹⁶ See *BEA Expands Coverage of Intellectual Property Products*, www.bea.gov/gdp-revisions.

¹⁷ See *Preview of the 2013 Comprehensive Revision of the National Income and Product Accounts*, March 2013, P. 19.

¹⁸ *Id.* page 19.

¹⁹ *Id.*

Initial Results

Based on the methodology described above, BEA developed estimates of the net current investment values of long-lived entertainment, literary and other artistic originals in 2007.²⁰ The industries analyzed by BEA included theatrical movies, television programs, books, music and miscellaneous entertainment. The miscellaneous category included three types of long-lived entertainment: theatrical play scripts, greeting card designs and commercial stock photography.

Recalculating its previous treatment of “artistic originals,” BEA concluded that its new methodology for these products results in an increase in U.S. GDP of \$70.6 billion in 2007. This figure represents the “current period investment value of the future revenue streams” associated with new entertainment, literary and other artistic originals. Within this total, BEA derived separate investment values for theatrical movies, television programs, books, music and miscellaneous entertainment.

At this writing, BEA has not yet made use of the methodology described above to produce revised estimates of annual GDP by industry. Indications are that applying its methodology would result in increases in the contribution of industries associated with “artistic originals.” BEA is expected to publish revised estimates of annual value added by industry in December 2013. However, given the lack of revised data to date, the U.S. copyright industry results presented in this *Report* do not reflect the possible effect of the BEA capitalization procedures.

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²⁰ BEA also developed estimates of the value of long-lived investments made in software. BEA estimated that U.S. businesses and governments invested \$278 billion in long-lived software assets in 2007.

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