Congress of the United States
Washington, DC 20515

April 21, 2014

Bob Liodice
President and Chief Executive Officer
Association of National Advertisers
2020 K Street, NW, Suite 660
Washington, DC 20006

Dear Mr. Liodice:

We are writing to continue our conversation with you concerning the problem of ad-supported online piracy. We have written to you before regarding this topic and we appreciate your recognition of the issue and the steps you have taken thus far to address it. We want to make you aware of a new study examining the scope of ad-supported piracy as well as the availability of technical solutions that have proven to reduce the appearance of legitimate advertising on illicit websites. These are new developments since we last engaged with you and your membership on these issues, and we look forward to hearing your thoughts.

It has long been apparent that ad-supported piracy is a lucrative business model for many websites, but only recently have we been able to quantify the proceeds realized by these illegal operations. A January 2014 report issued by the Digital Citizens Alliance entitled *"Good Money Gone Bad – A Report on the Profitability of Ad-Supported Content Theft"* examined a sample of nearly 600 such sites and estimated that collectively they garner $227 million in annual advertising revenue. The authors found that ad-supported piracy is both a lucrative business and "a real and growing threat not only to the content creators whose business it undermines, but also to the credibility of the digital advertising ecosystem that has developed over the last two decades."

It is now clear that the ad revenues generated by these sites are substantial, serving to facilitate and incentivize the proliferation of sites dedicated to theft of copyrighted content. There is also widespread agreement that advertising on pirate sites harms online advertisers by tarnishing their brands and diminishing the credibility of the ad marketplace, while conveying a false legitimacy to sites that are anything but legitimate.

We appreciate that you have acknowledged these issues and taken steps toward a voluntary, self-regulatory solution. In May 2012, the ANA and 4A's issued a joint *"Statement of Best Practices to Address Online Piracy and Counterfeiting"* that called on all of their members to take "commercially reasonable" measures to avoid placement of ads on "rogue sites" and to remove and remediate errant placements. Last August, the IAB issued an updated version of its "Network & Exchange Quality Assurance Guidelines," which confirms a prohibition on the sale of ad inventory on content piracy sites. And in July 2013, a group of ad network companies led by Google, AOL, and Microsoft announced their own agreement on a set of "Best Practices Guidelines for Ad Networks to Address Piracy and Counterfeiting," under which ad networks commit to a similar prohibition, but only enforced upon notice by copyright holders.

We support these steps, but note that much remains to be done to operationalize the commitments made and to make them effective in preventing the appearance of legitimate ads on pirate sites, rather than simply responding once they are placed. Best practices are useful, but greater specificity is needed around preventative measures that participants in the digital

advertising ecosystem can – and should – take to avoid the placement of ads on piracy sites, as well as the development of metrics to measure the effectiveness of these steps. Only through proactive efforts will the harms associated with ad-supported piracy be mitigated.

Until recently the technological tools needed to carry out such preventive measures were not available. But marketplace solutions are emerging, and the time is ripe for stakeholders to come together with a renewed focus on developing and implementing a more effective preventive regime that can harness those new technological developments. While the details of such a regime are best hammered out through discussion amongst those in the ad ecosystem who will implement and operationalize it, we would encourage discussion of a solution that includes the following:
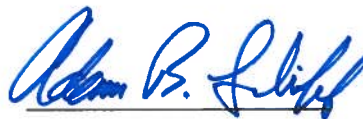
- A commitment to use actionable and frequently updated data, from one or more reliable sources, concerning online piracy sites;
- A commitment to integrate that data into the systems for negotiation of ad transactions and delivery of ads, in a manner that can at least in most instances prevent placement of ads on websites that the advertiser wishes to avoid;
- The development of metrics to measure the effectiveness of mechanisms put in place to prevent the appearance of ads on online piracy sites;
- Any consideration given to addressing mobile and in-app advertising which represents a significant and growing share of online advertising revenues, both for legitimate and pirate sites; and
- A commitment to take reasonable measures to prevent leakage of ads into inappropriate placements though the so-called "daisy chain" process through which orders are often filled from multiple intermediary sources.

Again, we seek your thoughts on how you will work to bring the industry together to meet this common – and achievable – goal. We thank you in advance for your attention and reply.
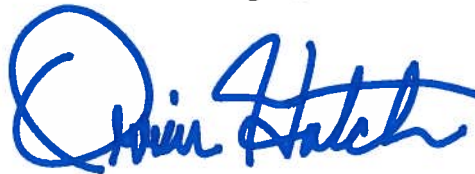
Sincerely,

Bob Goodlatte
Member of Congress

Adam Schiff
Member of Congress

Sheldon Whitehouse
United States Senator

Orrin Hatch
United States Senator

Cc: Nancy Hill, 4As; Randal Rothenberg, IAB