

# *U.S. Senate Committee on Finance*

For Immediate Release

Friday, April 29, 2005

## Grassley, Baucus, Colleagues Urge Crackdown on China's Intellectual Property Rights Violations

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, ranking member, today sent a letter signed by all of their fellow committee members urging the President to ensure China's compliance with intellectual property rights protections, even bringing a World Trade Organization case if necessary.

“China is a member of the World Trade Organization now,” Grassley said. “As a member, China can't make up its own set of rules for intellectual property rights. The Chinese have to abide by the same rules as everybody else.”

Baucus said, “China is an important trading partner, but it must live by the obligations it undertook when it joined the WTO. I am very disappointed in China's IPR record. We should use all tools available to us, including WTO dispute settlement, to ensure that China plays by the rules.”

Grassley said he plans to have the committee discuss China's shortcomings on intellectual property rights in a committee hearing to focus on various aspects of U.S.-China trade relations. That hearing will be held before July 15; no date has been set.

The text of the letter signed by all 20 Finance Committee members follows.

April 29, 2005

The Honorable George W. Bush  
President of the United States of America  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear President Bush:

We are writing to express our serious concern with the lack of adequate and effective enforcement of China's intellectual property rights (IPR) laws. We recognize that China has made progress since joining the World Trade Organization in 2001, particularly in adopting a wide range of legal measures. However, significant deficiencies remain.

In April 2004, the Chinese Government promised to “substantially reduce IPR infringement” by increasing criminal prosecutions of IPR violations, conducting enforcement actions, and launching a national education campaign. Instead of decreasing violations, piracy and counterfeiting continue at, what USTR calls, “epidemic levels.” We have seen an increase in exports of pirated goods from China. And there are continued reports of widespread Chinese government use of pirated software.

IPR infringement in China is having a real impact on U.S. companies in a wide range of industries, including motion pictures, software, chemicals, pharmaceuticals, information technology, and consumer goods. According to certain estimates, piracy alone accounts for roughly \$2.5 to \$3.8 billion in losses to the U.S. industry.

We need to see immediate results to eradicate these problems in China. Unfortunately, the Chinese government does not seem fully committed to doing so. Recently, the Chinese government issued a white paper, which praised China’s progress on IPR issues. The paper noted that, “while adhering to the international rules on IPR protection, China has decided on a level of IPR protection appropriate for its own national situation.”

China cannot unilaterally establish its own measures for judging its success in dealing with its IPR crisis. Instead, as a signatory to the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), Chinese progress must be judged by the same standards all WTO Members.

We urge your Administration to intensify your efforts to ensure China’s compliance with its TRIPS obligations, including, as appropriate, through WTO dispute settlement. We look forward to working with you to improve the IPR environment in China. Thank you for your ongoing attention to these important concerns.

Sincerely,

Charles E. Grassley  
Orrin G. Hatch  
Trent Lott  
Olympia J. Snowe  
Jon Kyl  
Craig Thomas  
Rick Santorum  
Bill Frist  
Gordon Smith  
Jim Bunning  
Mike Crapo

Max Baucus  
John D. Rockefeller IV  
Kent Conrad  
James M. Jeffords  
Jeff Bingaman  
John F. Kerry  
Blanche L. Lincoln  
Ron Wyden  
Charles E. Schumer