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CONTACT:

Eric H. Smith
President, IIPA (202) 833 4198

**STATEMENT OF THE INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE (IIPA)
ON THE RESULTS OF THE 2006 MEETING OF THE
CHINA-U.S. JOINT COMMITTEE ON COMMERCE AND TRADE (JCCT)**

Washington — The International Intellectual Property Alliance (IIPA), a coalition of seven trade associations representing over 1,900 U.S.-based copyright companies, today thanked Ambassador Portman, Commerce Secretary Gutierrez and USTR and Commerce officials for their ongoing tireless efforts to secure significant change in China's intellectual property and enforcement regime in the Joint Committee on Commerce and Trade (JCCT). In this third annual "enhanced" session of the JCCT (involving negotiations with Chinese Vice Premier Wu Yi), the U.S. government has sought commitments and specific actions by the Chinese government that would result in major reductions in piracy levels in China, which remain among the highest in the world. While this bilateral negotiating process has achieved some gains in improving the Chinese IPR system, piracy levels remain high and the key commitment to "significantly reduce levels of IPR infringements" in China – made by Vice Premier Wu Yi in the 2004 JCCT meetings – have yet to be redeemed by the Chinese authorities.

This year's JCCT process again resulted in some incremental gains in the area of more transparency and the redemption of certain prior commitments by the Chinese government. As with past years' JCCT "outcomes," however, the test of whether the process is succeeding will be seen primarily through the Chinese government taking aggressive action to bring pirates to justice through the application of its Criminal Law and by imposing deterrent fines and jail terms to remove the huge monetary incentives to engage in this type of economic crime. Reports are that nothing specific came out of this JCCT meeting on this critical subject, though there was an announcement that there will be some, as yet unclear, action taken by the Supreme People's Court and the Supreme People's Procuratorate to clarify certain criminal procedures.

The Chinese side did confirm recent circulars and regulations which would require for the first time all manufacturers of computers in China to pre-load those computers with authentic operating system software. Government ministries would also be required to purchase only computers which were pre-loaded with legal operating system software. There was also reference made to drafting a work plan for legalizing software use. These are positive developments if fully implemented.

Also coming out of this process were announcements that China would provide more data on the results of IPR cases, that it would do more to publish laws and regulations in a MOFCOM gazette and that new guidelines (the substance of which was not made clear) will be drafted with reference to the production of pirate product in optical disc plants.

"While we have had the benefit of only a very preliminary briefing by our government, these outcomes appear to represent a modest advance, particularly with respect to legalizing computer software use" commented IIPA President, Eric H. Smith. "However, IIPA is disappointed that no commitments were made to share forensic data on optical disc products with the private sector to assist in identifying piracy within optical disc factories or to commence a meaningful software asset management system within government ministries, though these issues apparently remain open for discussion in the JCCT IPR Working Group. IIPA also was hoping for the Chinese authorities to announce the commencement of, or conclusion of, significant criminal enforcement actions but no such announcements were made.

“As IIPA has noted on previous occasions, over the almost four years since China entered the WTO, the Chinese enforcement authorities, to the best of our knowledge, have brought, at the most, a handful of criminal cases against infringers of our members’ copyrights and convicted even fewer. As an inevitable consequence of this failure, the theft of U.S. copyright material continues unabated. IIPA conservatively estimates that losses due to piracy of U.S. copyrights in China in 2005 exceeded \$2.3 billion and that piracy levels continue to hover at 85-90% of the market. Until China puts in motion real reform in its enforcement system, it is unlikely that this situation will change in the near term.”

About the IIPA: The International Intellectual Property Alliance (IIPA) is a coalition of seven trade associations representing U.S. copyright-based industries in bilateral and multilateral efforts to open up foreign markets closed by piracy and other market access barriers. In October 2004, the IIPA released its latest economic report entitled *Copyright Industries in the U.S. Economy: The 2004 Report*, which details the economic impact and contributions of U.S. copyright industries to U.S. Gross Domestic Product, employment, and trade. In 2002, the U.S. “core” copyright industries accounted for an estimated 6% of U.S. Gross Domestic Product (GDP), or \$626.6 billion, and employed 4% of U.S. workers in 2002 or 5.48 million persons. Also in 2002, the U.S. copyright industries achieved foreign sales and exports estimated at \$89.26 billion, leading other major industry sectors such as: chemicals and related products, motor vehicles, equipment and parts, and aircraft and aircraft parts. For more info on the IIPA, visit www.iipa.com.

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