



July 14, 2006

By E-MAIL to FR0621@ustr.eop.gov
 Ms. Sybia Harrison
 Special Assistant to the Section 301 Committee
 Office of the United States Trade Representative
 600 17th Street NW
 Washington, DC 20508

Re: Special Provincial Review of Intellectual Property Rights Protection in China, 71
 Fed. Reg. 116 (June 16, 2006)

Dear Ms. Harrison:

The International Intellectual Property Alliance (IIPA) is pleased to respond to USTR's request for comments concerning the locations and issues that should be the focus of the special provincial review of intellectual property rights (IPR) protection in China. In its Special 301 report issued on April 28, 2006, USTR announced that the United States would conduct a special provincial review (SPR) in the coming year to examine the adequacy and effectiveness of China's IPR protection and enforcement at the provincial level. USTR has requested information regarding the identification of specific provinces, municipalities, and/or autonomous regions and the rationale for including them in the SPR.

IIPA Supports the Four Provinces Identified by USTR

In the June 16 notice, USTR indicated that it seeks comments on including the four "hot spots" identified in the 2006 Special 301 Report. IIPA agrees with USTR's designation of these four "hot spots" as areas which warrant priority; piracy rates remain high in those areas and IPR enforcement remains ineffective

(1) Guangdong Province: IIPA supports including Guangdong Province in the SPR. Guangdong Province has long been a hotbed of piracy activity, including production, warehousing, and wholesale and retail distribution of all kinds of pirate copyright materials. While optical disc production in China is now more geographically diverse, there remain many plants of concern in Guangdong Province. Book publishers report that universities in Guangzhou such as South China Normal University, Ji'nan University and others continue unauthorized commercial scale copying practices. In addition, the entertainment software industry has conducted raids in two cities – Zhuhai and Zhongshan – in Guangdong Province, and as places of interest we request that these cities be specifically be added to the SPR. The



Business Software Alliance reports that it maintains an active anti-piracy program on behalf of its members in Guangzhou, largely because of this province's economic significance to BSA member companies. BSA reports that the copyright administrative authorities in Guangdong remain reluctant to take enforcement against end user software piracy. The recording industry reports that the piracy situation in Dongguan city is very heavily controlled by organized crime elements and the authorities there have not been very helpful. As a result, Dongguan has become a dangerous area for legitimate right holders to operate. Finally, Shenzhen city warrants attention in the SPR. Reports indicate that motion picture piracy in that province is serious.

(2) Beijing Municipality: Again, IIPA supports including Beijing City in the SPR. There are several optical disc plants of concern in Beijing and vicinity. Other forms of piracy remain prevalent. Pirated books fill the markets in Tianshuiyuan and elsewhere, and the book publishing industry is especially concerned about continuing, and increasingly sophisticated, hard copy and Internet book piracy at university textbook centers and bookstores at Tsinghua University, Renmin University, Peking University and others. BSA reports that the copyright administrative authorities in Beijing have been responsive to its requests maintains an active anti-piracy program on behalf of its members. Because of this province's economic significance to BSA member companies, BSA agrees that Beijing City should be included in the SPR.

(3) Zhejiang Province: IIPA agrees with holding the SPR in Zhejiang Province. Several industries report piracy problems in the Province. In particular, book publishers raise concerns about unauthorized commercial scale copyright practices at Zhejiang University. In addition, the entertainment software industry has identified and conducted raids in assembly factories in Yiwu city in Zhejiang, and therefore believes that attention is warranted there.

(4) Fujian Province: IIPA also agrees with including Fujian Province in the SPR. BSA maintains an active anti-piracy program on behalf of its members in Xiamen and Fuzhou, largely because of these cities and province's economic significance to BSA's member companies, and believes it should therefore be included in the SPR.

Additional Provinces for this SPR:

The USTR notice also requests comments on additional provinces or regions which should be included in the SPR this year. IIPA members recommend that the following provinces be included in the SPR:

Shanghai Municipality: IIPA members indicate that there remains a significant amount of piracy activity in Shanghai, despite some continued good cooperation for some industries. Therefore, IIPA recommends that Shanghai Municipality be included in the SPR.

Shanghai is an important commercial center for the music industry and at one time had good track record for enforcement actions. However, the Chinese Government has been less effective in recent times in combating piracy as industry surveys indicate. The recording industry now reports that stock levels of pirate product in retail shops are greater than in previous years, despite the fact that complaints are brought to the Shanghai authorities as before. In



addition, Shanghai is also host to increasing amounts of Internet piracy (i.e., pirate websites). The recording industry reports some difficulties in obtaining cooperation with Internet service providers (ISPs) in Shanghai.

The motion picture industry reports that while Shanghai authorities have made some minimal progress in controlling movie piracy pursuant to the terms of the memorandum of understanding (MOU) the Motion Picture Association (MPA) reached with the Ministry of Culture for so-called special protection of U.S. titles, even in the closely monitored central business district, piracy remains unacceptably high.

As noted, the Shanghai municipal government has shown its willingness to address piracy problems in the past. However, recent cooperation has waned, especially with regard to the issue of textbook piracy on university campuses. Well-known universities such as Fudan University, Tongji University, Shanghai Financial University and Shanghai Jiao Tong University allow the continuation of wholesale book copying by on-campus textbook centers. Measures must be taken to prevent this. It is hoped that adding Shanghai to the SPR and increasing engagement with those authorities will prove fruitful.

The Business Software Alliance maintains an active anti-piracy program on behalf of its members in Shanghai, and that, with respect to its requests for anti-piracy actions, the copyright administrative authorities in Shanghai have been responsive. Because of Shanghai's economic significance to BSA member companies, BSA also agrees that Shanghai should be included in the SPR.

Hubei Province: IIPA recommends that Hubei Province be included in the SPR. The book publishing industry reports rampant illegal commercial photocopying by university textbook centers at Wuhan University and Huazhong University of Science and Technology. Wuhan is a significant university center for the region and should be monitored for action against this wholesale piracy. BSA maintains an active anti-piracy program on behalf of its members in Wuhan (Hubei Province), and because of this province's economic significance to BSA member companies, believes it should be included in the SPR.

Shaanxi Province: IIPA recommends that Shaanxi Province be included in the SPR. The book publishing industry is concerned with illegal activities by textbook centers in Xi'an, namely at Xi'an Jiao Tong University and Northwestern University. In addition, BSA maintains an active anti-piracy program on behalf of its members in Xi'an (Shaanxi Province), and believes it should be included in the SPR due to this province's economic significance to BSA member companies.

IIPA also recommends that **Sichuan Province (Chengdu), Liaoning Province (Dalian), Hunan Province (Changsha), Shandong Province (Qingdao), Chongqing Municipality, Jiangsu Province, and Hebei Province** be included in the SPR due to their economic significance for copyright protection, in particular, for the business software industry. The BSA reports that, with respect to its requests for local anti-piracy actions, the copyright administrative authorities in Jiangsu, Qingdao, and Dalian have been responsive to its requests.



Conclusion

IIPA appreciates USTR's continued commitment to press the Chinese government to make good on its promises to significantly reduce piracy throughout the country. We believe that focus on specific provinces through reviews such as this can be helpful in highlighting the piracy situation locally, and getting municipalities to act more aggressively than before. The IIPA and its members look forward to USTR's work in furtherance of the SPR, and thank you for consideration of our recommendations in the SPR.

Sincerely,

Eric H. Smith
on behalf of the
International Intellectual Property Alliance