



For Immediate Release
April 19, 2010

Contact: Scott Mulhauser (Baucus), (202) 224-4515
Jill Gerber (Grassley), (202) 224-4515

**BAUCUS, GRASSLEY SEEK ITC INVESTIGATION INTO THE EFFECT
OF CHINA'S INTELLECTUAL PROPERTY RIGHTS INFRINGEMENT
ON THE U.S. ECONOMY AND JOB GROWTH**

*Finance Leaders look for ways to Improve China's Intellectual Property Rights Protection
and Enforcement to Create Good-Paying American Jobs*

Washington, DC – Senate Finance Committee Chairman Max Baucus (D – Mont.) and Ranking Member Chuck Grassley (R – Iowa) today sought a comprehensive U.S. government investigation into the effects of China's intellectual property rights (IPR) infringement on American jobs and the American economy. This infringement is estimated to cost hundreds of thousands of American jobs every year. In a letter to U.S. International Trade Commission (ITC) Chairman Shara Aranoff, the Senators requested the ITC provide two reports over the next year quantifying the effect on American competitiveness of China's IPR infringement. The Senators also asked the ITC to investigate how China's policies favoring home-grown or "indigenous" innovation can have a negative effect on U.S. companies operating in the Chinese market, which can affect the ability of those companies to create jobs here at home. This formal request triggers the ITC's undertaking and completion of the two reports.

"American workers, the American economy and American businesses are suffering because of China's failure to curb the rampant theft of American intellectual property," said Baucus. **"China needs to step up to the plate, live up to its international obligations and protect and enforce U.S. intellectual property rights. The report we commissioned will quantify the effect of China's intellectual property rights infringement on America's competitiveness and will shed light on what we can do to better protect U.S. innovation in China — and create good-paying jobs here at home."**

"We need to do more to crack down on China's manipulative trade policies," Grassley said. **"China is using its 'indigenous innovation' program to discriminate against U.S. products in the Chinese market. And, rampant infringement of intellectual property rights costs the United States billions of dollars each year. These reports will shed light on the problem and help us solve it. A solution is important to businesses in Iowa and across the United States."**

Intellectual property includes patents, copyrights, and trademarks. The full text of the Senators' letter appears below.

April 16, 2010

The Honorable Shara L. Aranoff
Chairman
U.S. International Trade Commission
500 E Street, S.W.
Washington, DC 20436

Dear Chairman Aranoff,

We are writing to request that the U.S. International Trade Commission (Commission) conduct an investigation under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) regarding the impact on the U.S. economy and U.S. jobs of intellectual property rights (IPR) infringement in China.

Intellectual property plays a key role in driving innovation, productivity, employment, and growth in the U.S. economy. The U.S. Department of Commerce reports that intellectual property accounts for over half of all U.S. exports, and helps drive 40 percent of our economic growth. In 2008, for example, U.S. receipts of royalties and license fees from other countries yielded a \$75 billion trade surplus.

Infringement of U.S. IPR around the globe threatens American jobs and the competitiveness of our innovative industries. IPR infringement, both in the physical world and online, is estimated to cost U.S. companies billions of dollars per year in lost revenues in China alone. Over 80 percent of IPR-infringing goods seized at the U.S. border are of Chinese origin. And troubling recent developments in China, including China's "indigenous innovation" procurement policies, may exacerbate these losses by limiting the ability of U.S. innovative companies to participate in the Chinese market.

Despite widespread evidence of the harm to U.S. industries, authors, and artists resulting from IPR infringement in China, the U.S. Government has not conducted a comprehensive economic analysis of the impact of China's ineffective IPR protection and enforcement on the U.S. economy and U.S. jobs. To assist us in better understanding these impacts, we request the Commission to provide two reports, as described below.

Report 1: Based on a review of the literature and other available information, we request the Commission to provide a report that:

- Describes the principal types of reported IPR infringement in China;
- Describes China's indigenous innovation policies; and
- Outlines analytical frameworks for determining the quantitative impacts of the infringement and indigenous innovation policies on the U.S. economy as a whole and on sectors of the U.S. economy, including lost U.S. jobs.

This first report should be delivered by November 16, 2010.

Report 2: Based on an analysis of data and other information from available sources, including a survey of U.S. firms, and the application of the analytical frameworks outlined in the first report, we request the Commission to provide a second report that:

- Describes the size and scope of reported IPR infringement in China;
- Provides a quantitative analysis of the impact of reported IPR infringement in China on the U.S. economy and U.S. jobs, including on a sectoral basis, as well as potential effects on sales, profits, royalties, and license fees of U.S. firms globally, to the extent primary data can be collected; and
- Discusses actual, potential, and reported impacts of China's indigenous innovation policies on the U.S. economy and U.S. jobs, and quantifies such impacts, to the extent feasible.

This report should be delivered by May 2, 2011.

In preparing its reports, we do not expect the Commission to make findings in either report regarding the legal merits of any reported IPR infringement.

As we intend to make the reports available to the public, we request that the Commission not include confidential business information in its reports.

Sincerely,

Max Baucus
Chairman

Charles E. Grassley
Ranking Member

###