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# United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

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April 19, 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 effect 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 more than 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. 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. More than 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 effect of China's ineffective IPR protection and enforcement on the U.S. economy and U.S. jobs. To assist us in better understanding these effects, 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 effects 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 19, 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 effect 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 effects of China's indigenous innovation policies on the U.S. economy and U.S. jobs, and quantifies these effects, to the extent feasible.

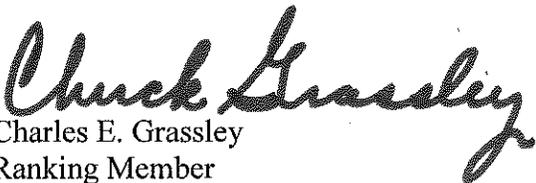
This report should be delivered by May 2, 2011.

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