

# U.S. Asks WTO to Rule in Piracy Dispute With China

By Mark Drajem  
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The Bush administration asked the World Trade Organization to rule in a complaint against China over piracy of copyrighted movies, music, software and books, escalating a dispute that has roiled commercial relations between the two trading giants.

After consultations failed to resolve differences over what the U.S. argues are weak Chinese laws to safeguard patents and copyrights, the U.S. Trade Representative's office took the formal step of asking the Geneva-based arbiter to decree that China's laws fall short of international agreements.

"We still see important gaps that need to be addressed," Sean Spicer, a spokesman for the trade representative, said in a statement.

China's copying of movies, music and software cost companies \$2.2 billion in 2006 sales, according to an estimate by lobby groups representing Microsoft Corp., Walt Disney Co., and Vivendi SA. The WTO complaint, announced in April, is the first by the U.S. against China for breaching intellectual property rights.

Under WTO rules, China can block the establishment of a three-member panel this month, and then the U.S. will need to again request a panel in September, which China can't block. The judges typically take a year or more to rule on a complaint.

The two sides held one formal consultation in June, and China hasn't taken any steps that address U.S. concerns," the trade office said.

## One of 5 Cases

This is one of five WTO cases the U.S. has brought against China and the third case against China where the U.S. has requested a WTO dispute settlement panel.

In this case, the U.S. says that China is violating provisions of the WTO guarding intellectual property rights because thresholds for sale of pirated or counterfeited goods are so high they effectively allow such sales on a commercial scale, and violators don't face criminal prosecution.

Second, the U.S. says China allows pirated goods that are seized by authorities to be sold once the fake labels on them are removed. The U.S. wants those products destroyed.

Third, Chinese laws don't provide copyright protection to works that are waiting for censorship approval, which allows pirates to get a head start on legitimate distributors, the U.S. argues.

Also in April, the U.S. also filed a complaint about barriers that U.S.-based movie, music, book and other copyright industries face in selling to China. It didn't ask the WTO to rule on that dispute today, and instead said it is still “considering next steps.”

*To contact the reporter on this story:  
Mark Drajem in Washington at +1-202-624-1964 or  
[mdrajem@bloomberg.net](mailto:mdrajem@bloomberg.net)*