

Answers to Practice Questions for Exam 1 (Sensitive Information in China)

Answer 1-China:

a) The four reasons discussed in Meng Huang's presentation are:

1. low economic foundation (including, but not limited to, the simple fact that China is still a poor country, in which many people cannot afford to pay for copyright works)
2. poor political structure
3. weak education
4. culture barriers (including, but not limited to, the fact that copyright enforcement is still new in China, having begun in 1979)

b) In the short run, some companies can be profitable simply by setting prices that are affordable for Chinese consumers and not worrying about copyright infringement: China has a huge population; so, even if only some of the users pay only small amounts, total revenue may be sufficient to make the company profitable. In the long run, as China's economy grows, companies can start to sue for infringement – especially infringement by businesses rather than individual consumers.

Answer 2-China:

a) First phase: Ignore infringement by consumers. Distribute free and/or heavily discounted copies of Windows. Enable the creation of a huge user base and a thriving application-development climate. Rely on network effects to get users locked in. Second phase: After the Chinese economy has grown to the point at which businesses and even some individual consumers can afford to pay, make affordable “simplified-Chinese” versions available, and start suing infringers.

b) Blizzard uses the same strategy for Warcraft. The situations are analogous, because there are significant network effects, and the fact that the “simplified-Chinese” version is not widely usable outside of China blunts the severity of the reimportation problem.

Answer 3-China:

In the US, a copyright owner must sue an infringer if the latter is to be punished. By contrast, the Chinese government has the right to impose “administrative” punishment for infringement that does *not* rise to the level of crime, *e.g.*, by imposing fines, confiscating or destroying infringing products, or confiscating illicit income. In China, the majority of copyright cases are actually resolved administratively rather than through lawsuits.

In the US, a copyright owner may win an infringement suit even if the infringer has not profited financially. By contrast, Chinese copyright law does not even criminalize infringement conduct that is not *intended* to make a profit. For example, if someone buys a software product and *gives* copies of it to all of his friends, he is guilty of a crime in the US but not in China.

Answer 4-China:

Users, Internet-Service Providers (ISPs), and Internet-Content Providers (ICPs)

Answer 5-China:

See Section II, item 4 in this reading assignment: <http://www.hrw.org/reports/2006/china0806/index.htm>.