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Businesses urged to be vigilant against counterfeiting

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By Ed Taylor

Arizona businesses were urged Monday to pay closer attention to their intellectual property to combat the growing threat of theft and piracy as they expand overseas.

"Piracy and counterfeiting are on the rise around the world, and all American businesses — including the thousands of small businesses here in Arizona — are at risk," said Jon Dudas, U.S. Undersecretary of Commerce for Intellectual Property, at the opening of a two-day Conference on Intellectual Property in the Global Marketplace Monday at the Hyatt Regency in Phoenix.

The conference attracted more than 450 attendees from the Valley and around the country.

The U.S. Chamber of Commerce estimates that American businesses lose \$250 billion a year to copyright piracy, and overall intellectual property thefts costs 750,000 jobs a year. A total of more than \$600 billion in counterfeit goods flooded the world market last year, according to the World Customs Organization.

The problem is becoming more acute as companies increase their business dealings with China, a country where intellectual property theft is rampant, he said.

"If it can be copied in China, it will be," Dudas told the conference participants, adding "you may be a victim of Chinese intellectual property theft and not even know it."

Most consumers are familiar with pirated movies, music and software, but theft also poses a risk to many other industries including consumer goods, technology and pharmaceuticals. Intellectual property also includes literary, artistic and scientific works; inventions in all fields; scientific discoveries; industrial designs; trademarks; and commercial names.

To counter the problem, the Bush administration has launched a program called Strategy Targeting Organized Piracy aimed at combating criminal networks that traffic in fakes, stopping trade in bogus goods at America's borders and helping small businesses secure and enforce their rights in foreign countries where they do business.



Jon Dudas, U.S. Undersecretary of Commerce for Intellectual Property, speaks Monday at the Hyatt Regency in Phoenix.

Toru Kawana, Tribune

The U.S. Patent and Trademark Office has set up a Web site that provides information on the problem and a toll-free telephone hot line to offer assistance, particularly for small businesses.

In addition to working with law enforcement agencies such as the U.S. Justice Department and Customs Service, the Commerce Department is lobbying the Chinese government to crack down on piracy, Dudas said. He said department officials have received commitments from top political leaders to deal with the problem, but he said it remains to be seen if that will filter down to operations that produce bogus goods.

The China issue is relevant to Arizona businesses because they are increasing their exports to China — up 313 percent since 2000, he said.

If progress isn't forthcoming, the U.S. could press a case against China at the World Trade Organization, which could result in higher tariffs on Chinese goods that are imported into this country, he said.

But the first line of defense is for businesses themselves to protect their intellectual property rights, he said. That involves applying for patent, copyright and trademark protection and then vigilantly watching for copying.

Also because U.S. patent and trademark protection doesn't apply outside the U.S., businesses need to consider applying for protection in any foreign countries where they do business, he said.

Most countries that are actively involved in foreign trade have intellectual property protection laws, but the extent of enforcement varies, he said.

International protection can be costly, so the extent to which it should be pursued depends on how much business the company is likely to do in other countries, he said.

Several attendees at the conference expressed frustration in their efforts to deal with foreign countries that appear to be producing near-copies of their products. Richard Haffey, senior project engineer for SPX Corp., a manufacturer of hydraulic power units in Rockford, Ill., said his company has seen competing products produced in southeast Asia "that look very similar" to SPX products.

"With all the rules and regulations against this, it still goes on," he said, adding the problem could get worse as the company sources more components from low-cost countries.

Richard Veltman, attorney for Black and Decker in Towson, Md., said his company faces a constant problem of patent infringement.

"We're seeing doorknobs and faucets out of China that are so close to what we produce that the average consumer would never detect the difference," he said.

Veltman said the company has not had much luck working with the Customs Service to try to block knockoffs coming into this country because the agency doesn't have the manpower to check every box in every shipment.

Also the company has not yet had much success working through the Chinese courts.

"We think we know where the products come from, but it's hard to track them down and find the owners," he said. "It's so foreign to us. We are not good yet at working in that system."

He said any progress will be "a long haul."

Contact Ed Taylor by email, or phone (480) 898-6537