

FEATURE ISSUE

HOUSE REPUBLICAN CONFERENCE
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Global Intellectual Property Theft: [Facts You Need to Know](#) | [Why is Global IP Theft Important?](#)

Policy Feature Issue: Global Intellectual Property Theft

The current state of the global economy is tenuous. Global economic growth in industrially developed countries is stagnant, with high unemployment pervasive particularly among youth. Global intellectual property theft is fast becoming a silent destroyer of economic growth and a barrier to job creation, including here in the United States. Much of global IP theft originates from the People's Republic of China, a reality that complicates our economic relationship with the rising global power.¹

At a time when the American economy is struggling with stagnant growth, high unemployment, and a weak recovery, intellectual property theft serves as another structural barrier to our economic recovery. In anticipation of the President's summit with Chinese President Xi Jinping this Friday on the issues of cyber security and IP theft, it is important to understand the economic strain that IP theft really has on the economy.

Facts You Need to Know:

- IP theft and counterfeiting are significant barriers to economic growth. IP-intensive industries employ approximately 18 million Americans. Every year, intellectual property theft in the United States results in the loss of \$300 billion in sales and 750,000 jobs.² The resulting loss of jobs and sales has a significant impact on the economy.
- Intellectual property-related industries account for nearly 20 percent of American jobs and contribute to over one-third of GDP.³ U.S. intellectual property is currently valued at approximately \$5.5 trillion, more than the gross domestic product of any other country, and accounts for more than half of all U.S. exports and drives 40% of our economic growth.⁴
- The amount of time it takes for the U.S. to respond to foreign infringement complaints is significant. Nearly 70 percent of cases submitted to the International Trade Commission take more than six months to resolve, with thirty percent taking more than one year to complete.⁵ Because intellectual property infringement costs companies billions of dollars per year in losses, some firms are forced to close before their investigation is completed. For example, despite significant improvements in patent review, complaints can take three years to resolve.⁶

¹ http://www.ipcommission.org/report/IP_Commission_Report_052213.pdf

² http://www.aipla.org/Advocacy%20Shared%20Documents/LEG_2008-05-05_110C_HCR.617.pdf; also see http://www.ipcommission.org/report/IP_Commission_Report_052213.pdf

³ http://www.uspto.gov/news/publications/IP_Report_March_2012.pdf

⁴ <http://www.sonecon.com/docs/studies/IntellectualPropertyReport-October2005.pdf>

⁵ http://www.jec.senate.gov/public/index.cfm?a=Files.Serve&File_id=aa0183d4-8ad9-488f-9e38-7150a3bb62be

⁶ http://www.jec.senate.gov/public/index.cfm?a=Files.Serve&File_id=aa0183d4-8ad9-488f-9e38-7150a3bb62be

- Additionally, there are structural costs to intellectual property protection that put significant strains on businesses and firms. The identification and enforcement of intellectual property rights alone on average cost businesses \$1.4 million.⁷
- The production and sale of counterfeit goods in the United States is on the rise. A 2011 report showed that the U.S. Customs and Border Protection seized 24,792 counterfeit or pirated goods. This represented a 24.2 percent increase from 2010, totaling over \$1.1 billion in lost sales.⁸

Why is Global IP Theft Important?

- IP Theft is potentially harmful to the physical health of consumers. The sale of counterfeit drugs totals approximately \$75 billion each year worldwide, and has doubled since 2005.⁹ These drugs are sold without FDA evaluation and have the potential to be ineffective or contain toxic ingredients.
- Counterfeit goods are also a primary source of funding for global organized crime. Much of the money made from counterfeit goods is used for the operation and expansion of global crime syndicates.
- Most of the “developed” countries in the world have made great strides domestically to protect intellectual property through improved safeguards. However, developing countries pose the greatest risk to real global IP security. Between 50% and 80% of global IP theft originates in China.¹⁰ China is especially problematic because their industrial policy encourages IP Theft. The government’s prioritization of science and technology acquisition has led many Chinese businesses to engage in consistent and systemic IP Theft.

⁷ Feinberg, Robert M. and Donald J. Rousslang. “The Economic Effects of Intellectual Property Right Infringements.” The Journal of Business, Vol. 63, No. 1, Part 1. p. 79-90. January 1990.

⁸ <http://www.ice.gov/doclib/iprcenter/pdf/ipr-fy-2011-seizure-report.pdf>

⁹ See: <http://www.ncpc.org/topics/intellectual-property-theft/counterfeit-drugs-1>

¹⁰ See: http://www.ipcommission.org/report/IP_Commission_Report_052213.pdf