

Rights owners must address their own in counterfeit fight

At the annual INTA meeting in Atlanta in May, counterfeiting and piracy were high on the agenda. And no wonder. In 1982, the US's International Trade Commission estimated that IP crime cost industry approximately US\$5.5 billion on an annual basis. Just 14 years later in 1996, that figure had climbed to US\$200 billion, and by 2000 it stood at US\$450 billion. It is thought that counterfeiting and piracy now account for nearly 10% of all world trade.

These are staggering figures, made all the more worrying because it is not just a case of IP owners losing out on money that rightfully belongs to them. These days, what is manufactured can be copied and that means anything from aeroplane parts to baby milk formula. Added to which, the relatively low risk of being caught, combined with the potentially very large profits to be made, makes counterfeiting and piracy attractive options for both organised crime and terrorist

organisations. The consequence is that not only are company profits at risk, so are human lives.

It is facts such as these that have greatly helped organisations like the INTA in their efforts to persuade governments across the world to take the threat of IP theft much more seriously than they have in the past.

One area that does not get the attention it should, however, is the attitude that some companies have towards the issue. Spend just a brief time talking to those working in law enforcement and they will tell you that there are boards of directors which, instead of making a concerted effort to protect their rights, prefer to see counterfeiting and piracy as a cost of doing business. Their logic is simple: it costs money to put in place an infrastructure that will give you any chance of successfully countering the activities of IP thieves; you need agents on the ground in potential hotspots; you need to employ investigators; and culprits have to

be taken through the courts. And that all spells a lot of expense. It is the same thing with the tracking devices that are now available on the market. Fit these on your products and your profits will suffer. Given all of this, so the theory goes, it is far more cost-effective to live with a problem in the knowledge that it is only costing you at the margins of your business.

But while this kind of approach may be appealing, it is a short-sighted way of thinking. First of all, not seeking to catch those who undermine intellectual property rights will do nothing but encourage continued activity. A company may feel able to write-off 20% of its profits to the counterfeiters and pirates but how would it feel about losing, say, 40%? Then there are those links between IP theft, organised crime and terrorism. It is one thing to have a strenuous anti-counterfeiting programme in place and still to fall foul of the rip-off merchants. Quite another

to sit idly by, let them get on with it and then see the money they make invested in activities such as drugs running, people trafficking and bombing.

Companies that turn a blind eye to their counterfeit problems and then find that this has helped an extremist group raise the funds to carry out a murderous attack are not only going to attract the considerable ire of the law enforcement authorities, they will also cause widespread revulsion among the general public. The consequences are not hard to predict: a sharp decline in sales and a plummeting share price.

While organisations such as the INTA must continue to lobby governments for improvements to IP regimes, they should not forget to impress on rights owners the stark choices they face. Fighting the counterfeiters is not only about the bottom line: lives are at stake and all rights owners must act in ways that reflect this fact. Those that don't will pay a heavy price.

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