

Counterfeiting in China

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Overview

- MOST SERIOUS COUNTERFEITING PROBLEM IN WORLD HISTORY
- PRC ESTIMATES PUT COUNTERFEIT TRADE AT \$19-24 BILLION PER YEAR AND 8% OF GROSS NATIONAL PRODUCT
- U.S. INDUSTRY GROUPS ESTIMATE LOSSES IN THE BILLIONS TO TENS OF BILLIONS PER YEAR
- MILLIONS, PERHAPS TENS OF MILLIONS, OF PEOPLE IN CHINA DEPEND ON COUNTERFEITING FOR THEIR LIVELIHOOD
- 15-20% OF WELL-KNOWN BRANDS OF CONSUMER PRODUCTS ARE COUNTERFEIT
- DIRECT OR INDIRECT INVOLVEMENT OF GOVERNMENT ENTITIES
- EXPORTS FROM CHINA MAKE THIS A GLOBAL PROBLEM

Origins

- GROWTH OF CHINA'S ECONOMY
- ROLE OF FOREIGN DIRECT INVESTMENT AND TECHNOLOGY TRANSFER
- PROBLEMS OF POLITICAL AND LEGAL REFORM: LOCAL PROTECTIONISM AND INADEQUATE ENFORCEMENT

Major Distributors and Manufacturers of Counterfeit Goods in China



HARM TO U.S. BRANDS IN CHINA

Figure One: Beijing Case Study

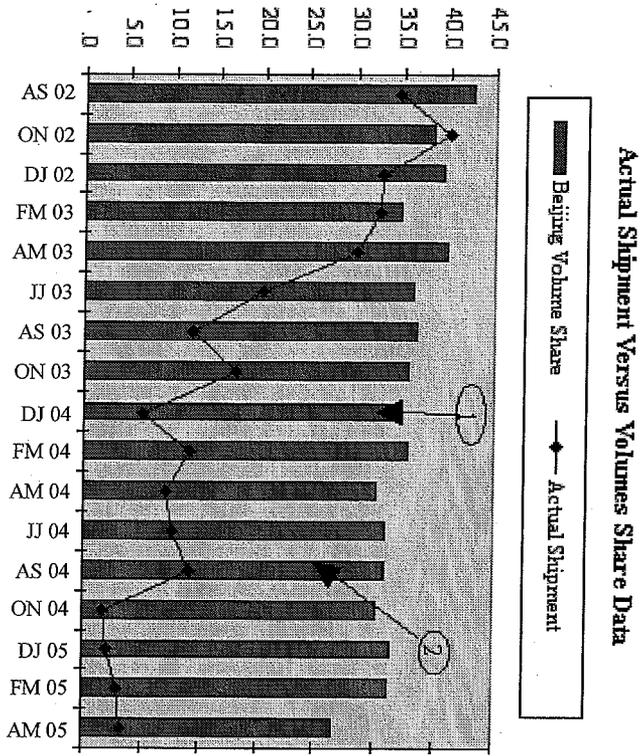
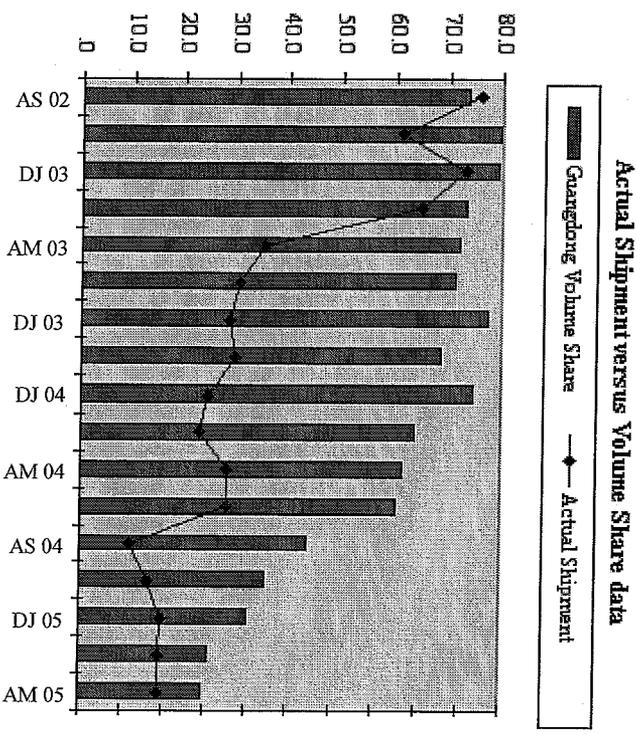


Figure Two: Guangdong Case Study



Administration of Industry and Commerce Trademark Enforcement Activity, 1999-2008

Year	Cases	Avg Fine	Avg Damages	Criminal Prosecutions
1999	16,938	\$754	\$40	21 total or 1 in 806 cases
2000	22,001	\$794	\$19	45 total or 1 in 489 cases
2001	22,813	\$1150	\$18	86 total or 1 in 265 cases
2002	23,539	\$1136	\$19	59 total or 1 in 399 cases
2003	26,488	\$1142	\$51	45 total or 1 in 589 cases
2004	40,171	\$834	\$26	96 total or 1 in 418 cases
2005	49,412	\$1017	\$40	91 total or 1 in 209 cases
2006	50,534	\$1158	\$53	252 total
2007	50,318	\$1220	N/A	229 total
2008	56,634	\$1212	N/A	137 total or 1 in 413 cases

Source: State Administration of Industry and Commerce Annual Statistics

EXPORTS

- COUNTERFEITS FROM CHINA MAY ACCOUNT FOR 80% OF ALL EXPORTS TO COUNTRIES AROUND THE WORLD
- COUNTERFEITS FROM CHINA SEIZED BY U.S. CUSTOMS IN 2008 VALUED AT \$272.7 MILLION
- SIGNIFICANT INCREASE IN EXPORTS OF COUNTERFEITS FROM CHINA STARTING 2004 BACKED BY SHARP RISE IN SEIZURE STATISTICS

Future Trends and Conclusions

- World Trade Organization and TRIPs
- Flaws in approaches by multi-nationals and U.S. government
- Suggested approaches