

**Subcommittee on Oversight of Government Management,
The Federal Workforce and The District of Columbia**
Finding Fakes: Reviewing the Strategy Targeting Organized Piracy

**Senator George V. Voinovich, Chairman
Committee on Homeland Security and Government Affairs
442 Hart Senate Building, Washington, DC 20510**

**Testimony of The Will-Burt Company, Orrville, Ohio 44667
Jeffrey O. Evans, CEO, Chairman and President
June 14, 2005**

Greetings Senator Voinovich and Honorable Members of the Subcommittee: On behalf of the employees of the Will-Burt Company and in support of other companies like ours, I appreciate and am thankful for the opportunity to address you here today.

Background Will-Burt, 87 years old, is a 100% employee-owned company located in Orrville, Ohio, and employs approximately 270 people. In 2004 Will-Burt was selected Ohio's Exporter of the Year and approximately 25% of its sales come from abroad. Will-Burt manufactures a variety of mast products for military and commercial sales. In particular, Will-Burt has developed, manufactures and distributes a mast that sets atop police and rescue vehicles called a "**Night-Scan.**" Will-Burt has secured both patent protection and trademark protection in China for its Night-Scan products.

Will-Burt had been successfully marketing its products in China for a number of years, but its approach was not focused. A Chinese company, Shenzhen Superway, approached Will-Burt promising larger sales volumes if Will-Burt granted an exclusive license agreement to this company to act as Will-Burt's sole distributor throughout China. Will-Burt agreed to this arrangement but only after securing a contract whereby Shenzhen Superway agreed not to steal Will-Burt's product or violate its other protected interests. At first, sales increased dramatically. However, it was not long until the distributor determined there was more money in the transaction by knocking off the product and by-passing Will-Burt entirely.

The Agreement reached with the Chinese company, which called for certain sales goals, contained language to protect the confidentiality of Will-Burt's product information and also contained a non-compete clause. Unfortunately, the Chinese company was aware of a fact unknown to Will-Burt. The Chinese company knew it could "steal" "appropriate" "knock-off" a US company's product and engineering and steal the intellectual property associated with that product with knowledge that such action could be done with virtual impunity. The Chinese company got what it wanted, the product, knowing that its promises would not be enforced.

- See attachment 1 for excerpts of the Agreement

Within a year, Will-Burt noticed the distributor was not meeting its sales goals. Will-Burt came to learn the sales were off because the product had been reverse-

engineered and was being sold outside of the contractual arrangement. Will-Burt discovered this fact shortly after a visit to China to determine why sales were down. During this visit Will-Burt discovered its mast had been counterfeited and was being marketed in China under the same trade name, and then under a different name, by companies affiliated with its prior distributor.

Once the Chinese company learned how to manufacture the product on its own, it entirely disregarded the contract and Will-Burt's patent and trade mark rights and proceeded to manufacture and sell the product as its own.

- See Attachment 2 for copies of pictures which clearly illustrate the knock-off as a copy of the Will-Burt product.
- See Attachment 3 for sample pages from the manual for the Chinese knock-off which remarkably contains pictures from Will-Burt's manual and Will-Burt's web address. Of particular interest might be the picture of the Ohio Highway Patrol vehicle.

The Painful Reality Like many U.S. companies, The Will-Burt Company had a business relationship with a Chinese entity that pirated Will-Burt's technology and confidential information. Will-Burt was victimized by a Chinese business climate and legal system that fosters and condones the illegal appropriation of another's product, but makes any attempt to remedy this wrong a practical impossibility. In fact, Will-Burt's end customer, the Chinese Public Security Bureau (in effect, the national police department), is purchasing illegal counterfeit products from Chinese companies which directly violate several of the laws they are in existence to enforce.

The Loss Prior to the pirating, Will-Burt sold about \$1 million dollars of product through a Chinese distributor in China in 2001 and then saw a decline to a little over one-half million dollars in 2002 when the pirating was initiated. Sales declined further to approximately a quarter million dollars in 2003 and lower yet in 2004. We believe that the pirated product now has a market in excess of \$2 million per year in China. There are now at least two more companies that are violating Will-Burt's rights in China with counterfeit products. Worse, these illegal Chinese products are now being marketed outside of China, threatening Will-Burt's markets worldwide, in countries such as Taiwan and Israel.

The Current Status After Will-Burt learned of the counterfeiting, Will-Burt, at considerable expense, employed a law firm in China to investigate and recommend a course of action, whether political or legal. The conclusion can be summarized quite simply: "Even though everything you say is true, there is no effective remedy."

Will-Burt has recently entered into another arrangement with a distributor in China in an effort to recapture the sales lost to the counterfeiting company; unfortunately, Will-Burt's product must now compete against itself. Will-Burt has undertaken great expense in its attempt to be competitive in the Chinese market. As an example, 10 Will-

Burt employees have traveled to China over the past five years for a total of more than 35 trips, and at significant cost to the company.

The fight is not over. Will-Burt is currently deploying other tactics and strategies, focusing on regaining Chinese market share through its current distributor, while working to contain the problem within the borders of China. Given the nature of the legal and economic system in China, both tasks will be difficult. This is particularly true when the playing field is uneven and the political processes employed by our government have not been successful in addressing this injustice.

6.2 Trademarks and Names. SHENZHEN SUPER WAY is hereby granted permission to use during the term of this Agreement the trademarks and trade names used by WILL-BURT in connection with the WILL-BURT Products. Such permission is expressly limited to uses necessary to the sale of the WILL-BURT Products under this Agreement, and SHENZHEN SUPER WAY hereby admits and recognizes WILL-BURT's exclusive ownership of such marks and names and the renown of WILL-BURT's marks and names throughout the world and specifically in the PRC. SHENZHEN SUPER WAY agrees not to take any action inconsistent with WILL-BURT's exclusive ownership of such marks and names.

6.3 Confidentiality. As a result of the business relationship contemplated by this Agreement, SHENZHEN SUPER WAY and WILL-BURT will disclose to each other business and/or other information, which is confidential. Such disclosure may be oral, written or electronic. Confidential information includes, but is not limited to, all information of any nature whatsoever related to SHENZHEN SUPER WAY's marketing, distribution and sales of the WILL-BURT Products, know-how, procedures, business practices, specifications, data, design, documentation, protocols, processes, strategic plans, sales and marketing plans, customer lists and information, financial information, and proposed business arrangement relating to the WILL-BURT Products ("Confidential Information").

Both SHENZHEN SUPER WAY and WILL-BURT shall use the highest care in its access to and use of the Confidential Information, and shall (a) use the Confidential Information only as allowed under this Agreement; (b) not disclose Confidential Information to third parties, or use Confidential Information for its, or a third party's benefit; (c) return all Confidential Information, including all copies, summaries and materials related thereto, to the other party upon request along with a signed statement certifying that all information and materials have been returned; (d) disclose Confidential Information only to its employees who have a need-to-know the Confidential Information to assist in the discussions with the other party; and (e) advise all authorized recipients of the Confidential Information as to the confidential nature of the Confidential Information.

Nothing in this Agreement creates any representation or warranty related to the accuracy, completeness or reliability of the Confidential Information. Unless specifically provided in this Agreement, this Agreement does not transfer any rights, or grant any licenses, to SHENZHEN SUPER WAY or WILL-BURT in or to the Confidential Information. The confidentiality provisions of this Agreement survive termination of this Agreement or any business relationship between the parties, and shall continue for so long a period of time as the Confidential Information is maintained as confidential.

7. Training, Marketing, Products Development.

7.1 Training. WILL-BURT will provide initial training in the areas of Service and Repair, as well as on-going Sales/Marketing training.

7.2 Marketing. SHENZHEN SUPER WAY will quickly establish a showroom in both Shenzhen and Daway. These showrooms will have on display at least one each of a representation of WILL-BURT's Lighting Products.

7.3 Products Development. SHENZHEN SUPER WAY will provide information quickly to The WILL-BURT Company concerning the improvement and development of potential new Products for the Chinese market. The WILL-BURT Company will also provide information on any new Products to SHENZHEN SUPER WAY. WILL-BURT will be the sole owner of all Products development and designs.

8. Non-compete.

8.1 Non-compete. Except as specifically provided in this Agreement, Shenzhen Super Way or any of its affiliated companies shall not compete with The WILL-BURT Company in the sale, manufacture or marketing of WILL-BURT's Products. Included by way of example, but without limitation, SHENZHEN SUPER WAY shall not develop, manufacture, distribute, promote, market, advertise, or sell Products that are competitive with the WILL-BURT Products covered in this agreement or for a period of two (2) years after the termination of this agreement. Nor shall SHENZHEN SUPER WAY solicit Customers or otherwise interfere with WILL-BURT's business or goodwill, and shall not become involved in any entity which takes such actions.

9. Terms and Conditions.

9.1 Shipment. Delivery will be Ex-Works (as per 1990 Incoterms), being the place of manufacture of the WILL-BURT Products. All shipments hereunder will be made in WILL-BURT's shipping packages, that conform to China and United States of America regulations. Title and risk of loss to the WILL-BURT Products purchased under this Agreement shall pass to SHENZHEN SUPER WAY upon delivery thereof to the carrier.

9.2 Acceptance. SHENZHEN SUPER WAY shall inspect all WILL-BURT Products promptly upon receipt in the territory and may make a claim under the contract if goods which fail in any significant respect to meet specifications due to manufacturing deficiencies. Such claims must be made by written notice to WILL-BURT within thirty (30) days of delivery to SHENZHEN SUPER WAY (including duty) or such right shall be deemed to have been waived. WILL-BURT shall, at its option and expense and in a timely manner, either repair or replace said goods provided that any such claim is honored and prior approval in writing is given.

Attachment 2

Comparison Between Will-Burt and Chinese Counterfeiters

Will-Burt



Chinese Counterfeiters



NS2—140DC/12V 华鹰移动照明系统

用户指南

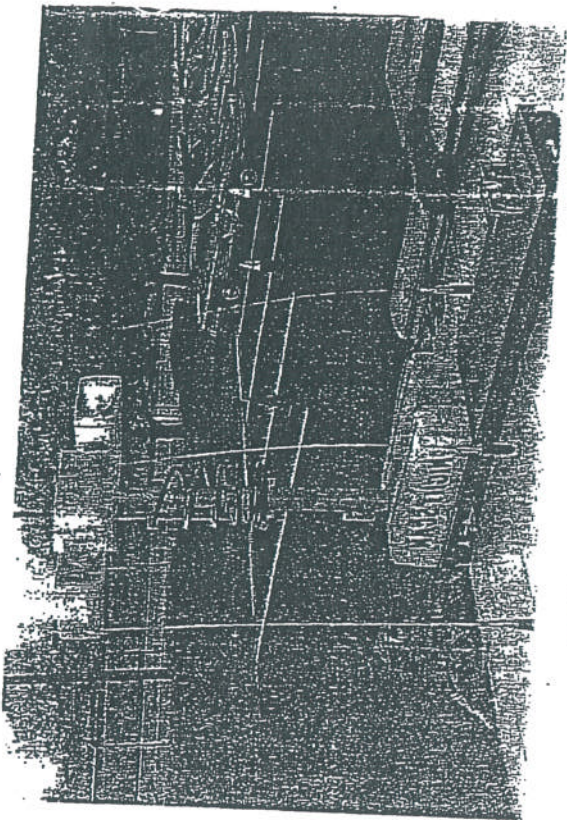
EXCERPT FROM
COUNTERFEIT
MANUAL

<p>华鹰移动照明有限公司 地址：无锡市清扬新村南三路 邮编：214023 电话：(0510) 5760732, 5765450 传真：(0510) 5765450 Email: willburt@elong.com</p>

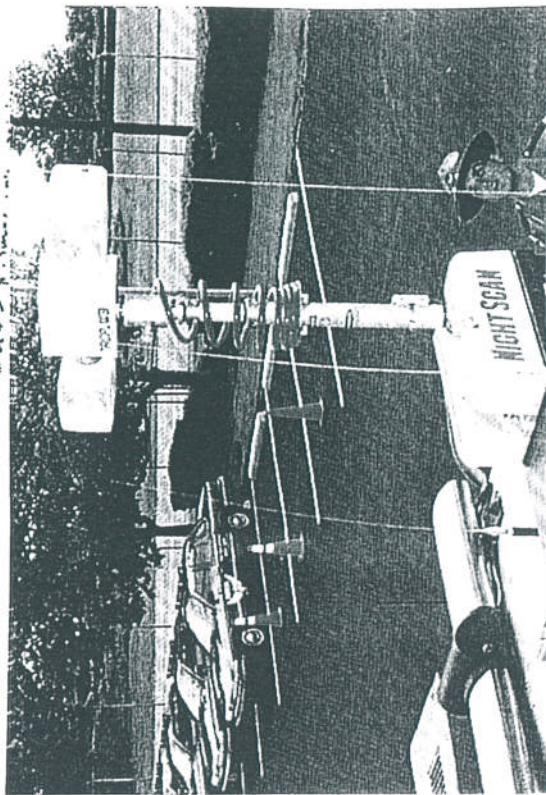
华鹰移动照明有限公司

Note: [WILLBURT WEB SITE](http://www.willburt.com)
www.willburt.com
 E-mail: willburt@elong.com

PICTURE IN COUNTERFEIT MANUAL



NS2-140DC 应用写真



ORIGINAL WILL-BURT PICTURE. NOTE OHIO HIGHWAY PATROLMAN AND VEHICLE. NOTE ALSO THAT CHINESE MANUAL PRINTED THIS PICTURE IN REVERSE

EXCERPT FROM COUNTERFEIT MANUAL

真诚感谢您选用本公司的产品

为了您的成功

请仔细阅读本指南

