

**U.S. Representative Joe Knollenberg**  
**Testimony for the U.S. China Economic & Security Review Commission**  
**Hearing on Intellectual Property Rights Issues and Counterfeit Goods**  
**Thursday, June 8, 2006**  
**Washington, DC**

Good morning everyone, and thank you for having me here today. I am extremely encouraged by the Commission's hearings this week on intellectual property rights and counterfeit goods. The loss of intellectual property rights and the proliferation of counterfeit goods not only cost American jobs, they pose serious safety risks to the American people.

As you probably know, I represent a congressional district in suburban Detroit whose economy is largely centered around the auto industry. Daimler-Chrysler's North American headquarters is in my district, and a quarter of the top one-hundred of the largest auto suppliers in North America are headquartered in my district. This includes Robert Bosch's North American headquarters, Delphi, and Arvin-Meritor. Overall, I have over 1,500 manufacturing entities, and 92% have less than 100 employees.

I was particularly struck by the impact counterfeiters were having on the auto supplier industry. I knew counterfeiting was a problem, but I didn't realize the extent of the problem until countless companies made the effort to educate me about it.

What I learned was that counterfeit parts and goods cost American jobs. Counterfeit automobile parts cost the automotive supplier industry over \$12 billion annually. It's estimated that if these losses were eliminated, the auto industry could hire 200,000 additional workers.

When it comes to the economy overall, the U.S. Customs Service has estimated that counterfeiting has resulted in the loss of 750,000 jobs and costs the United States around \$200 billion annually. The International Chamber of Commerce estimates that seven percent of the world's trade is in counterfeit goods and that the counterfeit market is worth \$350 billion.

It's important to remember these numbers, because counterfeiting is not a victimless crime. In addition to selling bogus products, the counterfeiters are stealing jobs and money away from legitimate companies.

Counterfeit parts not only damage our economy, they compromise the safety of all Americans. Counterfeit auto parts, such as fake tail-lights and brake pads, have been found being installed in New York City taxi cabs. Knockoffs to popular prescription drugs, such as Lipitor, have been confiscated and are nearly identical to the real thing. We have even heard of reports that counterfeit parts have been unintentionally installed in military combat vehicles.

Often times, there is virtually no way of telling the difference between a legitimate product and the counterfeit. Much of this can be attributed to the fact that counterfeiters have perfected everything - all the way down to the label and packaging - which I believe you have seen first-hand.

We must take a more aggressive stand against counterfeit parts. And one of the ways we are going to do that is to give the government more tools to fight counterfeiters.

To help accomplish this task, I introduced H.R. 32, the Stop Counterfeiting in Manufactured Goods Act. I was very pleased that President Bush signed this bill into law earlier this spring.

Before my bill was enacted, a convicted trademark counterfeiter was only required to give up the actual counterfeit goods. The problem was, the criminals could just turn right around and make more. In order to stop the counterfeiters, the consequences have to go further.

That is why H.R. 32 includes a provision that establishes mandatory destruction, forfeiture, and restitution provisions in trademark law - similar to those already in copyright law. This change is necessary to get at the roots of the problem.

Further, my bill would require the convicted criminals to give up not just the counterfeit goods, but also the equipment they used to make those goods. Seizing and destroying the equipment used to make counterfeit goods is necessary to put the criminals out of business.

In addition, the bill prohibits trafficking in counterfeit labels, patches, and medallions that are not necessarily attached to a particular counterfeit good. Before, it was legal to make and sell these items if they were not attached to a particular counterfeit good. This just didn't make sense. Why would counterfeiters make these labels, if not for the chance at illegal profits?

These simple changes will have a profound impact in combating counterfeit manufactured goods in many different ways.

H.R. 32 sends a signal to counterfeiters that the United States is serious about combating this growing problem. The enactment of this bill gives prosecutors more tools to go after the criminals here in the U.S. and punish them severely.

The bill is also necessary to address the problem globally. A large part of the counterfeit auto parts are coming from other countries, particularly China. So we need our trade negotiators to demand that our trading partners have strong anti-counterfeiting provisions.

But U.S. negotiators can't demand that other countries take steps to combat trademark counterfeiting unless we are taking those same steps ourselves. So, by enacting my bill

and improving our own law, Congress has empowered our trade negotiators to press for stronger anti-counterfeiting provisions in other countries.

Passage of this bill also sends an important signal to our manufacturers here in America by demonstrating to them that the U.S. Congress is serious about improving the environment in which they compete by cracking down on the counterfeiters who cost them money, and cost Americans their jobs.

The International Anti-Counterfeiting Coalition, the U.S. Chamber of Commerce, the National Association of Manufacturers, the National Electrical Manufacturers Association, and a host of major corporations all supported H.R. 32.

Thank you again for having me here today. The size and scope of counterfeit manufactured goods around the world is growing every day. Legitimate manufacturers are making every reasonable effort they can to prevent it, but they could use some additional assistance from the federal government. That's what H.R. 32 will do.

Thank you again, and I look forward to your questions.