



# Counterfeiting and Piracy

Counterfeiting and piracy cost the U.S. economy billions of dollars annually, have led to the loss of hundreds of thousands of jobs, and needlessly expose consumers to dangerous and defective products.

## Common counterfeit and pirated goods include:

Prescription medications  
Automobile brake pads  
Airline parts  
Circuit breakers  
Batteries  
Extension cords  
Computer software  
Medical devices  
Pet medications  
Apparel and footwear  
Movies and music



## Harm to Consumers

- In March 2009, a NASA administrator explained to the U.S. House of Representatives Science and Technology subcommittee that the discovery of counterfeit parts was partially to blame for out-of-control costs and may have contributed to the nine-month delay of the Kepler spacecraft launch. He said, “We find out about it [counterfeit parts] while sitting atop a rocket or, worse, find out about it in space.”<sup>1</sup>
- In February 2008, investigations by the Panamanian government revealed that at least 174 people were poisoned and of those 115 people died as a result of counterfeit glycerin that was used to make cough syrup. The government of Panama inadvertently purchased diethylene glycol, a substance commonly used in antifreeze, which was falsely certified as medical-grade glycerin.<sup>2</sup>
- Tamiflu, the mainstay medication for preventing and treating bird flu and swine flu, has become a target for counterfeiters as recent outbreaks have increased public demand for emergency supplies of the antiviral drug.<sup>5</sup>
- The Colgate-Palmolive Company, in June 2007, warned that counterfeit toothpaste falsely packaged as “Colgate” had been found in several deep-discount stores in four states: Maryland, New Jersey, New York, and Pennsylvania. There were indications that this product did not contain fluoride and may have contained diethylene glycol.<sup>3</sup>
- On a family vacation to Thailand, a seven-year-old boy forgot to bring along a charger for his Nintendo Gameboy. His father unknowingly purchased a counterfeit replacement charger. The wires in the counterfeit charger were so close together that they became live and fatally electrocuted the boy. His parents found him dead on the floor of the hotel room gripping the Gameboy in his hands.<sup>4</sup>
- DVD piracy, which has a higher profit margin than narcotics and minimal risks of enforcement, is attractive around the world as an element of criminal portfolios that also include drugs, money laundering, extortion, and human smuggling.<sup>6</sup>

# ECONOMIC COST AND INDUSTRY IMPACT

Music recordings—\$12.5 billion<sup>7</sup>

Pharmaceuticals—\$46 billion<sup>8</sup>

Software—\$53 billion<sup>9</sup>

Auto—\$12 billion<sup>10</sup>



GLOBAL  
INTELLECTUAL PROPERTY  
CENTER

## Economy Damaged and Jobs Lost

### PHARMACEUTICALS

“The U.S.-based Center for Medicine in the Public Interest predicts that counterfeit drug sales will reach \$75 billion globally in 2010, an increase of more than 90% from 2005.”<sup>11</sup>

The World Health Organization says that up to 10% of medicines worldwide are counterfeit—a deadly hazard that could be costing the pharmaceutical industry \$46 billion a year.<sup>12</sup>

### AUTOMOBILES

According to a report by the Federal Trade Commission counterfeiting is estimated to cost the global automotive parts industry \$12 billion a year in lost sales; \$3 billion of that total is in the United States. It is also estimated that U.S. auto parts industry lost sales correlates to potentially 200,000-250,000 fewer manufacturing jobs.<sup>13</sup>

### SOFTWARE

“In IDC’s latest study for the Business Software Alliance on the economic impact of lowering PC software piracy in forty-two countries, IDC found that dropping PC piracy by ten percentage points between 2008 and 2012 could result in an increase of 600,000 additional new jobs and more than \$24 billion in additional tax revenue world wide.”<sup>14</sup>

By the end of 2008, there were more than 1 billion PCs installed around the world; nearly half had pirated software on them. With more PCs being shipped into emerging markets, lowering that will be a long-term challenge.<sup>15</sup>

### MUSIC INDUSTRY

International and domestic theft of sound recordings costs the U.S. economy \$12.5 billion in lost revenue, approximately 71,000 jobs and more than \$2 billion in wages to U.S. workers.<sup>16</sup>

### OTHER INDUSTRIES

According to company estimates, anywhere between 5% and 50% of lighters bearing the Zippo name sold across the globe are fake. Two years ago, such rip-off Zippos were cutting into the company’s revenue by about 25%, and Zippo was forced to lay off 15% of its workforce 121 employees altogether.<sup>17</sup>

According to a report by the U.S. Customs and Border Protection and the U.S. Immigration and Customs Enforcement, seizures of products violating intellectual property rights posing potential safety and security risks increased from \$27.8 million to \$62.5 million.<sup>18</sup>

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