

# Intellectual Property Theft



NW3C Research Brief

September, 2010

**The current research brief discusses the present issues in intellectual property theft and the recent surge to prevent and prosecute related violations. Matters discussed include the Prioritizing Resources and Organization for Intellectual Property Act of 2008, 2010 Joint Strategic Plan on Intellectual Property Enforcement, and related statistics. Recommended sources are listed at the end of the document.**

Intellectual property (IP) rights enforcement is currently making headlines nationwide with the announcement by the U.S. Intellectual Property Enforcement Coordinator, Victoria Espinel, of the 2010 Joint Strategic Plan on Intellectual Property Enforcement. This document details the national plan to combat both domestic and international IP piracy and fraudulent products. The fight against IP theft has piqued the interest of many with regard to the overall pervasiveness of these illegal acts over the Internet. The Internet Crime Complaint Center (IC3) strongly concurs with the expressed initiatives of the strategic plan and our data supports their conclusions. Intellectual property complaints received by IC3 totaled 4,634 in various complaint categories in 2009. These categories, in order of prevalence, were software piracy (2,167), online copyright infringement (1,144), auction fraud related to false products (868), delivery of fake products (380), and music piracy (75). In total, the IP theft complaints represent 1.4% of all complaints received by IC3. Certainly, the concentrated government effort to identify and enforce intellectual property law is crucial in curbing further abuses- however the public's perception and education in the matter also plays a significant role. A snapshot of recent legislation and the current strategic plan helps provide the requisite knowledge necessary to develop an informed opinion.

## **Prioritizing Resources**

First, the passage of the Prioritizing Resources and Organization for Intellectual Property Act of 2008 greatly increases both the civil and criminal penalties for trademark and copyright infringement. The law itself dramatically increased the role federal government will play in policing intellectual property issues by creating a bureaucratic framework to support the United States' interest in protecting IP holders' rights on a global scale. The act established a separate enforcement division within the United States Department of Justice, created a representative position within the executive branch on all IP enforcement matters, and provided United States embassies with intellectual property representatives abroad to protect the IP interests of corporations internationally. The act is primarily designed to enhance the ability of the federal government to effectively enforce and maintain existing intellectual property law through the creation of divisions whose sole purpose is to oversee these issues.

In the long term, this piece of legislation may help significantly reduce the costs in lost revenue associated with counterfeit products and right infringements. Estimates place these economic losses of corporations at between \$200

billion and \$250 billion per year. The lost revenue by these corporations negatively impacts their ability to maintain current employment levels and results in the loss of 750,000 jobs per year. Other statistics indicate that upward of 9% of all products bought and sold worldwide violate the property rights of United States corporations, businessmen, and/or entrepreneurs alike.<sup>1</sup>

## Strategic Plan

The 2010 Joint Strategic Plan on Intellectual Property Enforcement, released June 22, 2010, espoused the United States' comparative advantages in the global economy directly associated with American creativity, ingenuity and entrepreneurial spirit while proposing a concise and direct effort to protect the fruit of these traits. The report is the first coordinated effort by the United States to address the enforcement of American intellectual property rights both domestic and foreign. The strategic plan identified numerous actions the federal government must take in order to enhance the protection of American intellectual property rights. Federal actions suggested include: ensuring that the federal government does not purchase or use infringing products, supporting transparency in the development of enforcement policy (home and abroad), improving coordination and increasing efficiency of law enforcement efforts, working with international organizations and trading partners to enforce American IP rights within the global economy, securing supply chains to stem the flow of fraudulent /counterfeit products into the United States, increasing cooperation within the private sector, and improving information and data collection related to IP activity in an effort to continuously assess domestic and international affairs related to IP laws and enforcement.<sup>2</sup> The impact of the proposed actions should enhance the United States' position as a leader in the global economy.

The impact areas targeted by the identified actions above are primarily designed to create growth in the United States economy, bolster jobs for American workers, and support exports. Effective enforcement will sustain and foster these domestic economic initiatives. Secondly the recommendations will promote innovation and secure America's comparative advantage globally while promoting a feeling of consumer trust and safety within any given marketplace. Overall, the strategic plan provides a directed path to using IP rights to secure national and economic security for future generations of Americans.<sup>3</sup>

## Statistics

- U.S. intellectual property is worth \$5-5.5 trillion- which is more than the gross domestic product (GDP) of any other country. (Source: "The Economic Value of Intellectual Property," USA for Innovation)
- Intellectual property accounts for more than half of all U.S. exports, helping drive 40% of U.S. economic growth. (Source: U.S. Department of Commerce)
- Jobs in intellectual property-intensive industries were expected to grow faster over the next decade than the national average. (Source: Robert J. Shapiro and Nam D. Pham, "Economic Effects of Intellectual Property-Intensive Manufacturing in the United States," World Growth, 7/07)
- Intellectual property-intensive industries employ 18 million Americans.
- Intellectual property theft's impact on the global economy accounts for \$500-600 billion in lost sales each year, or 5-7% of world trade. (Source: World Customs Organization)
- Counterfeiting and piracy impacts the U.S. economy with over \$200 billion in lost sales each year. (Federal Bureau of Investigations)
- For fiscal year 2008, the U.S. Customs and Border Patrol reports that China alone accounted for \$221.6 million in seized counterfeit or pirated goods according to [Crain's Detroit Business](#). That's 81% of the total domestic value of all seized counterfeit or pirated goods for that year.

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<sup>1</sup> SEE H.R. REP. No. 110-617, at 21 (2008)

<sup>2</sup> 2010 Joint Strategic Plan on Intellectual Property Enforcement (June 2010)

<sup>3</sup> 2010 Joint Strategic Plan on Intellectual Property Enforcement (June 2010)

- Criminals stole a combined \$4.6 billion worth of intellectual property from the 1000 companies around the world polled by McAfee in their Unseen Economies Report. Those companies subsequently spent about \$600 million repairing the damage.
- McAfee estimates that total global economic losses due to data theft and security breaches by organized crime, hackers and inside jobs was \$1 trillion last year.<sup>4</sup>

### Further Reading:

- Prioritizing Resources and Organization for Intellectual Property Act of 2008 - [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110\\_cong\\_bills&docid=f:s3325enr.txt.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:s3325enr.txt.pdf)
- 2010 Joint Strategic Plan on Intellectual Property Enforcement [http://www.whitehouse.gov/omb/assets/intellectualproperty/intellectualproperty\\_strategic\\_plan.pdf](http://www.whitehouse.gov/omb/assets/intellectualproperty/intellectualproperty_strategic_plan.pdf)
- [Intellectual Property Crime Report](#) from the Department of Justice's [2008 Annual Report](#)

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*If you'd like to read more about NW3C's white collar crime initiatives, please visit us on the web at [www.NW3C.org](http://www.NW3C.org). For internet crime statistics, or to report an internet-based crime, please visit us at the Internet Crime Complaint Center, at [www.IC3.gov](http://www.IC3.gov). If you are actively involved in the field of white collar crime research, please consider joining the White Collar Crime Research Consortium. More information is available at [http://www.nw3c.org/research/white\\_collar\\_crime\\_consortium.cfm](http://www.nw3c.org/research/white_collar_crime_consortium.cfm)*

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**BJA**  
Bureau of Justice Assistance  
U.S. Department of Justice

This project was supported by Grant No. 2009-BE-BX-K042 awarded by the Bureau of Justice Assistance. The Bureau of Justice Assistance is a component of the Office of Justice Programs, which also includes the Bureau of Justice Statistics, the National Institute of Justice, the Office of Juvenile Justice and Delinquency Prevention, the SMART Office, and the Office for Victims of Crime. Points of view or opinions in this document are those of the author and do not represent the official position or policies of the United States Department of Justice. The National White Collar Crime Center (NW3C) is the copyright owner of this document. This information may not be used or reproduced in any form without the express written permission of NW3C.

<sup>4</sup> Statistics compiled by A.E. Feldman retrieved June 25, 2010 from <http://blog.aefeldman.com/2009/08/04/us-firms-paying-high-price-for-global-ip-theft/>