



Testimony of U.S. Representative Rob Simmons (CT-2)
House Committee on Government Reform
September 23, 2004

Mr. Chairman,

Thank you for the opportunity to testify before your committee today on this very important matter. If you thought counterfeiting and piracy in foreign countries of U.S. intellectual property was only a problem for big-boy manufacturers, I have a story for you.

Earlier this year, I met with Mr. David Blackburn of my hometown - Stonington, Connecticut. Mr. Blackburn is a constituent of mine and is president of a small manufacturer in my congressional district - the Faria Corporation.

Faria Corporation manufactures gauges and instruments for vehicles and boats. Faria employs over 300 people in my district and has been in existence for 40 years. In addition to supplying boat and vehicle makers with instruments, Faria also supplies the majority of instruments used by the U.S. military, including all of the instrument panels used in the HUMVEE. Mr. Blackburn wanted to be here today to testify in person, but unfortunately could not be with us today. Nevertheless, I am pleased to share with this committee his important story.

When I met with Mr. Blackburn, he told me that his company's products were being counterfeited and sold to some of his customers overseas. He presented me with evidence of this counterfeiting in the form of an almost exact replica of one of his company's gauges. One of his customers bought the imitation device for the express purpose of delivering it to Mr. Blackburn. Another customer of Mr. Blackburn's witnessed Faria's products being counterfeited and was offered the imitation product while on a trip to China.

Mr. Chairman, I found the counterfeit model to be indistinguishable from an authentic Faria product when viewed side-by-side by the naked eye. The only way to tell the two apart was that the nuts on the counterfeit model did not properly fit. There was no cosmetic difference. The criminals engaging in this activity clearly know what they are doing. And they are just that, Mr. Chairman -- criminals. Mr. Blackburn told me about instances of thugs from the Chinese company imitating Faria's gauges approaching his distributors in South America and threatening them and their families if they "created any problems" and tried to stop the racket.

After hearing of Faria's problems with counterfeiting, I scheduled a visit to their facility in Connecticut in June to talk further with Mr. Blackburn and his colleagues and to examine for myself the instruments they were manufacturing. I came away impressed by the quality of their work, but even more concerned about the impact of counterfeiting on Faria's business. Officials at the company told me that they are losing up to \$2 million annually because of the immersion

of imitation Faria gauges into the market and that if such losses continue, lay-offs will be inevitable.

Upon returning to Washington, I scheduled a meeting with the Department of Commerce to present them with this clear case of counterfeiting. I presented officials with the Patent and Trademark Office as well as the Office of Market Access and Compliance the counterfeit product along with a genuine model and urged them to put the full resources of the Commerce Department behind an investigation into who is responsible for this crime. I told them that by making and selling a defective and fraudulent product at a cut-rate price, these criminals harm Faria's reputation, undercut their sales, and directly threaten the safety of those -- including our troops riding in HUMVEES in Iraq -- who unknowingly operate vehicles or boats with counterfeit instruments. Commerce officials have met with Mr. Blackburn and visited Faria and are working with him to locate those who are counterfeiting his product. The investigation is on-going.

While there is no better example of the adverse impact of counterfeiting than with Faria in my district, this is not a problem limited to the southeastern corner of Connecticut -- far from. Counterfeiting is a global challenge that is costing businesses' profits, worker's jobs, government's revenue, consumers and customers their safety, and, perhaps most seriously, costing all citizens their security as terror groups turn to counterfeiting to underwrite their training and attacks.

I will let others who are more knowledgeable than I talk at greater length about these national and international implications, but I will offer this one statistic: according to the Federal Bureau of Investigation, U.S. companies are losing between \$200 and \$250 billion annually because of counterfeiting. Again, Mr. Chairman, that is between \$200 and \$250 BILLION each year. These are dollars being taken directly from the pockets of working men and women across America each year. And the problem is getting worse.

Action must be taken. We must tell the Chinese and others who are turning a blind eye to these criminal acts that we will not stand for their inaction any longer. These criminals are cheating, not competing. It is not "free trade," it is not "fair trade," it is cheating, pure and simple.

And no matter how fine a product my constituents produce at the Faria Corporation, they simply can't keep pace when cheap, knock-off devices with no distinguishable difference from the genuine Faria article are entering the market. More and more of the counterfeit devices will be purchased and prove defective. And every time that happens, Faria's professional reputation drops another notch, one more buyer chooses to shop elsewhere, and one, two, or three more of my constituents find themselves out of a job through not fault of their own.

I thank you, Mr. Chairman, for the opportunity to present the story of one company's experience with counterfeiting and urge all of my colleagues to join me in fighting to put a stop to this practice. Our nation's economy and our constituent's jobs depend on it.