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Stop IP Theft

By Bob Wright

To most people, piracy invokes the music recording industry, which has been decimated by illegal peer-to-peer file sharing. And counterfeiting conjures up images of the street vendor with impossibly cheap Rolexes or hit movies on DVD. But in our digital age, *anyone* who has a new invention, a creative idea, or a technological breakthrough is at risk of a rip-off, whether it be in the automotive, entertainment, pharmaceutical, software, or any other intellectual-property-dependent business sector.

This is the dark side of our Internet age. Digital technology, which can be such a boon to consumers and businesses, makes all data and information easily replicable and able to be transmitted at the speed of light around the world. With theft rendered effortless, it is becoming more pervasive. Indeed, the weight of piracy and counterfeiting could be taking the global economy toward a tipping point.

The statistics are startling. The Business Software Alliance estimates that 35% of software deployed worldwide last year was pirated. In some countries, the figure exceeds 90%. Pharmaceuticals are harder to duplicate than computer files, but, even here, industry losses are in the billions, while individuals who unwittingly ingest counterfeit drugs do so at great risk. GM claims to have lost millions of dollars when designs and technology for two new cars were copied by a foreign car manufacturer.

The overall cost? Piracy and counterfeiting is estimated to cost companies around the world more than \$600 billion a year, about equal to the GDP of Australia.

It's a global issue—but with a disproportionate effect on the U.S. Our economy is increasingly driven by high-value, innovative, technologically advanced businesses, with IP becoming an ever-larger part of the total. My colleagues and I at NBC Universal were interested in quantifying this, so we asked a leading economic-research firm to analyze the data. The findings indicate that IP-based industries account for nearly 20% of the total private-industry contribution to GDP. In addition, because these industries are growing faster than the overall economy, they account for 40% of our real economic growth; and because they depend on highly skilled workers, they pay, on average, 40% more than the average compensation paid to U.S. workers.

More to the point, when we measure the contribution of the IP industries as a percentage of U.S. industries that produce exportable goods and services (excluding local service-based sectors and pure commodity producers, which don't have a role in driving U.S. productivity and export growth), the numbers are even more striking. By this measure, IP industries account for 40% of the total and nearly 60% of real growth. In other words,

more than half of our growth derives from industries that are wholly or significantly dependent upon adequate protection of intellectual property from theft.

The solutions to digital piracy are not easy, but there are glimmers of hope. President Bush recently created a new office of International Intellectual Property Enforcement under Commerce Secretary Carlos Gutierrez, who has himself been outspoken on this issue. The Justice Department, with its Intellectual Property Task Force, has increased its focus on IP crime. The global business community is starting to act as well. A Coalition Against Counterfeiting and Piracy has formed in the U.S. And a new initiative of the International Chamber of Commerce called BASCAP—the Business Action to Stop Counterfeiting and Piracy—has signed on more than 100 businesses from around the world.

Our Founding Fathers recognized the connection between IP rights and economic growth. This is why they authorized Congress to grant to “authors and inventors the exclusive right to their respective writings and discoveries.” Congress has consistently enforced this for more than 200 years. But the threats to IP today are unprecedented. Congress and other legislative bodies around the world need to act quickly to strengthen criminal enforcement, and need to focus not just on the movement of physical goods across borders but on digital information traversing cyberspace. At the same time, we urgently need the hi-tech sectors—Internet service providers, consumer electronics manufacturers, and tech companies—to push the technological solutions that will support the wide dissemination of digital technologies and at the same time erect barriers to theft.

As important as intellectual property is to the economy today, it will become even more crucial in the future. Business leaders around the world and their respective governments have no choice but to mobilize the resources necessary to protect our most precious economic goods.

Mr. Wright, vice chairman of GE and chairman and CEO of NBC Universal, is a founding member of BASCAP's Global Leadership Group.