

Before the Subcommittee on  
Commerce, Trade and Consumer Protection of the  
House Energy and Commerce Committee  
Testimony of Scott Emmer, Federal-Mogul Corporation  
June 15, 2005

Thank you Mr. Chairman and members of the committee for this opportunity to testify today. My name is Scott Emmer. I am the Brand Protection Manager for Federal-Mogul Corporation. We are a global manufacturer of automotive products, such as brake, ignition and chassis products for Original Equipment Manufacturers and the Aftermarket, which are sold under our well-known brand names to include Champion, MOOG, Wagner and FERODO. Federal-Mogul, headquartered in Southfield, MI is a global corporation with 55 manufacturing facilities in the United States and a total of 196 facilities worldwide, employing 45,000 workers. I appreciate this opportunity to testify today on the problem of product counterfeiting.

As brand protection manager for Federal-Mogul, I have responsibility for all anti-counterfeiting initiatives including: pursuing enforcement against violators of Federal-Mogul's intellectual property both in the US and abroad; raising public awareness within Federal-Mogul and the general public regarding the negative impact caused by counterfeit automotive products; and developing a proactive brand protection solution encompassing product marking technologies for authentication, tracking and tracing.

Federal-Mogul Corporation and its workers are proud to provide high quality products to our customers in the United States and abroad. We are proud to be part of a network of thousands of automotive suppliers in the United States providing the technologies and products that go into making and servicing the safest and most technologically advanced motor vehicles available anywhere in the world. Today, our company and our industry are helping to keep drivers safe and enjoying better technologies and products for their motor vehicles year after year. Due to the assault on intellectual property by Chinese counterfeiters, continuing that record of safety and value to American consumers is going to require the diligent attention and involvement of the U.S. Government. We believe in

the integrity of the U.S. market and we aim to do our part to keep it that way. But we need the US Government's help to stop Chinese counterfeiters, as well as counterfeiters from other countries, from exporting fake product to America.

Our company, and many other automotive suppliers like us are equipped to compete in the global market. Now, in China, as well as other markets, we are forced to compete not just against other legitimate manufacturers, but also against a strong, determined criminal element that makes money by stealing our brand name and making often inferior and defective copies of our products.

Companies work for years building a brand reputation and brand loyalty. Inferior counterfeit products can ruin years of hard work and investment. Destruction of a producer's brand name and good reputation in the market from counterfeit products can be even more serious to a supplier over the long term than the direct loss of sales. Furthermore, legitimate American manufacturers cannot get a foothold in the Chinese market, or in other markets, where counterfeiters get deep market coverage and exist out in the open.

As a global corporation, we need to be able to offer products and technologies appropriate to each market. However, introduction of a new product or technology to China, to build our business in that market, creates a huge risk that the product or technology will be copied and counterfeited on a massive scale.

Keeping counterfeit products out of the American market is of first and foremost concern to our company. We believe it will not be enough just to play defense, protecting the U.S. market from counterfeiters. We believe the U.S. government, with the support of industry must also go on the offensive, and track the counterfeit products back to their source in China. We appreciate all the efforts the government has made up to this point, but we believe continued diligence and more action will be required.

I would like to show you some of the counterfeit products Federal-Mogul has found and discuss each one briefly. One of our biggest problems involves counterfeit Champion spark plugs, which are mainly produced in China. These plugs are then exported worldwide to include the Middle East, Africa and North America. Federal-Mogul was actually contacted by a counterfeit distributor in Canada who offered to sell Champion spark plugs at a price below our actual costs. We've since initiated criminal enforcement against this distributor, but this example shows the blatant disregard for intellectual property rights of genuine brand owners.

I've brought a couple of sample counterfeit products for your review. First, please find two genuine and two counterfeit Champion spark plugs that were imported into Latin America from China. Please note that the counterfeit packaging and plugs are nearly identical to the genuine product. Second, please find pictures of genuine and infringing MOOG Chassis Products found not only in the Middle East, but also on the East Coast of the United States. These infringing MOOG parts pose a significant safety threat to the general public, especially in this case since these counterfeit parts are used to repair taxicabs, commercial vans and school buses.

Federal-Mogul and other automotive suppliers have taken steps to protect our intellectual property. For example, we pursue joint enforcement action against counterfeiters to seize products. In addition, we work with US Customs to seize infringing products and we work with foreign Customs including China to seize counterfeit products intended for export. Further, we are taking steps to incorporate product-marking technologies into our packaging for easier authentication.

But the profit motive for criminals dealing in counterfeit goods is huge and they are working everyday to thwart our efforts.

The House of Representatives recently passed by unanimous consent HR 32, "The Stop Counterfeiting in Manufactured Goods Act." Federal-Mogul and the automotive supplier

industry strongly supported that legislation and were heartened by your action. Our industry is presently seeking similar action in the Senate.

Measuring the impact of this criminal activity is very difficult, and beyond the ability of any one company or industry. We would, therefore, urge you to support efforts by the OECD to study global counterfeiting.

Federal-Mogul appreciates your attention to this important industry problem and urges you to combat product counterfeiting with diligent enforcement and constructive, but firm discussion with the Chinese government for the good of our company, our industry, our customers and the general public.

Thank you for this opportunity to testify. I will be glad to answer your questions.