Counterfeiting and piracy cost the U.S. economy approximately $250 billion annually, have led to the loss of more than 750,000 American jobs, and needlessly expose consumers to dangerous and defective products.

Recently counterfeited and pirated goods include:

- Prescription drugs
- Automobile brake pads
- Airline parts
- Batteries
- Extension cords
- Health and beauty products
- Wine
- Computer software

No product or industry is safe from counterfeiting and piracy. These items are increasingly making their way into the supply chain, where they are unwittingly purchased by businesses or consumers at retail stores.

Harm to Consumers

- As many as 11,000 boxes of counterfeit Procrit, a well-known cancer drug, were sold to wholesalers nationwide before investigators foiled a phony prescription drug ring that made $28 million.¹

- In May 2003, the FDA recalled 16.5 million doses of Lipitor, the popular cholesterol drug, due to counterfeit replications being sold in drug stores across the country. However, top FDA officials admit that what they catch is only a fraction of the total of counterfeit drugs.²

- In August 2004, a 13-year-old boy in Oceanside, California sustained severe injuries from an explosion caused by his cell phone. Over the past two years, federal safety officials have received 83 reports of cell phones exploding or catching fire due to counterfeit batteries.³

- In August 2006, the U.S. Consumer Product Safety Commission recalled about 600,000 counterfeit extension cords because of a shock hazard. The extension cords, which had counterfeit Underwriters Laboratories (UL) safety labels, were made of undersized wire and substandard insulation. These can cause overheating, resulting in a possible shock to users.⁴

- The Federal Aviation Administration estimates that 2% of the 26 million airplane parts installed each year are counterfeit, which equals approximately 520,000 parts. A BusinessWeek investigation found that bogus airplane parts played a role in at least 166 U.S.-based incidents and malfunctions during a recent 20-year period.⁵

- The Motor and Equipment Manufacturers Association cites safety violations due to counterfeit auto parts: brake linings made of compressed grass sawdust or cardboard; transmission fluid made of cheap oil that is dyed; and oil filters that use rags for the filter element.⁶

- In July 2006, the Cook County, Illinois sheriff’s office confiscated 585 bottles of contaminated, counterfeit Head & Shoulders shampoo. The shampoo tested positive for Gram-negative bacteria, which an infectious disease specialist described as “poop.”⁷
Economy Damaged and Jobs Lost

Pharmaceuticals
- The World Health Organization estimates that the prevalence of counterfeit pharmaceuticals ranges from less than 1% in developed countries to over 30% in developing countries and over 50% from illicit websites.  
- The Center for Medicine in the Public Interest estimates that counterfeit drug commerce will grow 13% annually through 2010. Counterfeit sales are increasing at nearly twice the rate of legitimate pharmaceutical sales.

Automobiles
- Counterfeit car parts cost the global auto industry $12 billion annually—not including the toll on human lives and increased insurance rates.
- The U.S. Federal Trade Commission found that the auto industry could hire 250,000 additional workers if the sale of counterfeit auto parts was eliminated.

Software
- According to a survey by the Business Software Alliance and the IDC research firm in 2006, more than one-third (35%) of all installed computer software was fake. The Business Software Alliance estimates that by cutting this figure to 25%, $400 billion in economic growth worldwide and 2.4 million new jobs could be generated.

Small Business
- A serious, well-orchestrated effort to steal the trademark or copyright of a small business can wipe the company out in a short period of time. In many cases, small businesses lack the ability and resources to effectively bring a claim in a foreign market, or even in the U.S. market, before the damage is irreparable. Research conducted in the spring of 2005 by the U.S. Patent and Trademark Office indicates that only 15% of small businesses that do business overseas know that a U.S. patent or trademark provides protection only in the United States.

Losses to specific industries are large and growing:
- Apparel and footwear - $12 billion
- Artistic recordings - $4.6 billion
- Motion picture - $6.1 billion
- Pharmaceutical - $32 billion
- Software - $34 billion
- Auto - $12 billion

To learn more about the true costs of counterfeiting and piracy, visit: www.thetruecosts.org.

5 Willy Stern, Business Week cover story, June 10, 1996.
15 Peter Pitts, “Pharmaceutical fakery is health care terrorism,” The Baltimore Sun, August 15, 2006.
17 “Legislators Detail Concerns About Counterfeit Goods from China — Theft of intellectual property has significant impact on revenue, jobs,” State Department Press Releases and Documents, June 12, 2006.