



EDITORIAL

THEFT, PURE & SIMPLE

We have regularly noted the rising tide of Chinese imports in all product categories. Pianos, guitars, electronics, and wind instruments have been forcing selling prices downward. Consumers love lower prices, so it's hard to make much of a case against this deflationary trend, even though it's hammered profits throughout the industry. What is easy to make a case against is the pervasive Chinese disregard for intellectual property rights—patents, copyrights, and trademarks.

Knock-offs, copies, and “creative borrowing” have been a part of the industry's landscape ever since we began publishing in 1890. Before the turn of the last century, piano makers Steinway and Chickering regularly took to the courts to defend their design patents. However, what's currently going on in China is unprecedented for its scope and sheer brazenness. Visit retail shops in Hong Kong and you can select from Fender guitars manufactured by Fender Musical Instruments Corp., based in Scottsdale, Arizona, or “Fender” guitars manufactured by some nameless operation on the mainland. In the case of software, the unauthorized copies are all but indistinguishable from the legit versions, except that they sell for 80 percent less. The counterfeiting can sometimes take an ironic twist: One U.S. electronics manufacturer had an effects unit built in China, and to comply with U.S. law, the company dutifully labeled the box “Made In China.” Chinese counterfeiters were not so scrupulous; their near-perfect copies were prominently marked “Made In The U.S.A.” Patent a clever design, like a guitar stand or piece of drum hardware, and within months you can expect the knock-offs to start flowing in from Asia. Counterfeit stories like these could fill the balance of this magazine; suffice it to say the problem is widespread and growing.

Retailers might be forgiven for asking, “This isn't my problem, so why should I care?” But the reality is that if you depend on product innovation or brand names to drive customers into your store, it *is* your problem. At the recently completed Nashville NAMM show, like every other industry show in memory, retailers scoured the aisles in search of the “new.” The genuinely new is exciting, and like most good things in the world, it carries a cost. For starters, there is the hefty investment in engineering and mar-

keting overhead. In addition, manufacturers also have to shoulder the cost of the inevitable “turkeys.” Loath as they are to admit, even the best product development departments never bat a thousand.

When counterfeiters come to market with their knock-offs, aside from cheap labor, they also benefit because they have none of these development costs. Based on the resulting lower price, they are guaranteed a certain share of market. Consequently, the creative manufacturers generate less revenue with which to support their ongoing product development efforts. It doesn't take a genius in economics to figure out that if the payout on new product development investments shrinks, there will be less in the way of new products. If this scenario plays out to its logical conclusion, retailers could face a world in which they had little or nothing to sell that was could be honestly classified as “new.” After “sale,” the word “new” is the single most potent advertising term for generating customer traffic. Imagine a world in which that all-important word was rendered irrelevant.

So, what to do? Retailers can't be expected to single-handedly police trademark and patent violations, but they should think long and hard before stocking up on counterfeits. There may be short-term profits in it, but in the long term it's just killing the goose that lays the golden egg. The best case is that, as part of its entry into the World Trade Organization, China will begin to enforce intellectual property laws. The influential software industry, as well as the recorded music and motion picture industries, are lobbying hard on this front, so there are grounds for optimism. In the meantime, there's not much else to do but express sympathy for the legion of creative individuals who have used their talent to improve the music and audio experience, but have had their work expropriated. Anyway you look at it, it's a crime and a shame.

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