

GAO Highlights

Highlights of [GAO-13-762T](#), a testimony before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives

Why GAO Did This Study

The United States is an acknowledged global leader in the creation of intellectual property. According to the Federal Bureau of Investigation, IP theft is a growing threat which is heightened by the rise of the use of digital technologies. IP is any innovation, commercial or artistic, or any unique name, symbol, logo, or design used commercially. IP rights protect the economic interests of the creators of these works by giving them property rights over their creations. Cyber attacks are one way that threat actors—whether nations, companies, or criminals—can target IP and other sensitive information of federal agencies and American businesses. While bringing significant benefits, increasing computer interconnectivity can create vulnerabilities to cyber-based threats. GAO was asked to testify on efforts to estimate the economic impacts of theft of intellectual property. Accordingly, this statement discusses (1) the economic significance of intellectual property protection and theft on the U.S. economy and (2) insights from efforts to quantify the economic impacts of counterfeiting and piracy on the U.S. economy. This statement is based on products GAO issued from April 2010 through June 2012 on the economic impacts of theft of intellectual property and on cyber threats and economic espionage.

What GAO Recommends

GAO is not making any new recommendations in this statement.

View [GAO-13-762T](#). For more information, contact Susan Offutt at (202) 512-3763 or offutts@gao.gov.

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INTELLECTUAL PROPERTY

Insights Gained from Efforts to Quantify the Effects of Counterfeit and Pirated Goods in the U.S. Economy

What GAO Found

In April 2010, GAO reported that intellectual property (IP) is an important component of the U.S. economy and IP-related industries contribute a significant percentage to the U.S. gross domestic product. IP-related industries also pay significantly higher wages than other industries and contribute to a higher standard of living in the United States. Ensuring the protection of IP rights encourages the introduction of innovative products and creative works to the public. According to experts and literature GAO reviewed, counterfeiting and piracy have produced a wide range of effects on consumers, industry, government, and the economy as a whole. The U.S. economy as a whole may grow more slowly because of reduced innovation and loss of trade revenue. To the extent that counterfeiting and piracy reduce investments in research and development, companies may hire fewer workers and may contribute less to U.S. economic growth, overall. Furthermore, as GAO reported in June 2012, private sector organizations have experienced data loss or theft, economic loss, computer intrusions, and privacy breaches. For example, in February 2011, media reports stated that computer hackers had broken into and stolen proprietary information worth millions of dollars from the networks of six U.S. and European energy companies.

Generally, as GAO reported in April 2010, the illicit nature of counterfeiting and piracy makes estimating the economic impact of IP infringements extremely difficult. Nonetheless, research in specific industries suggests that the problem is sizeable, which is of particular concern as many U.S. industries are leaders in the creation of intellectual property. Because of the difficulty in estimating the economic impact of IP infringements, assumptions must be used to offset the lack of data. Efforts to estimate losses involve assumptions such as the rate at which consumers would substitute counterfeit for legitimate products, which can have enormous impacts on the resulting estimates. Because of the significant differences in types of counterfeited and pirated goods and industries involved, no single method can be used to develop estimates. Each method has limitations, and most experts observed that it is difficult, if not impossible, to quantify the economy-wide impacts.