
Recommendations are made on the accuracy of the available information, and consideration needs to be made of the limited time available to check out the issues in question. No guarantees are made or implied. All or sections of this report should not be quoted out of context or without the permission of the author.

Submission to :- House of Representatives
Parliament of Australia
Standing Committee
on
Science and Innovation

Subject :- Marketing our Innovations
How can we do it Better ?

Date :- April 2005

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Product, Process & Company Development

G.R.P. Technology

Submission No.45.....

Submission Focus

Members of the Committee

With limited time available, the areas I wish to address are highlighted in yellow below :-

- "- pathways to commercialisation
- intellectual property and patents
- skills and business knowledge
- capital and risk investment
- business and scientific regulatory issues
- research and market linkages
- factors determining success
- strategies in other countries that may be of instruction to Australia"

I hope the following comments prove of use in your deliberations.



Graham Porter
G.R.P. Technology
CEO

April 2005

Introduction

In making this submission I am defining success here as selling to the world not our small population of 20 million.

Popular Australian delusion

There is a tendency to congratulate ourselves on our patented 'mousetrap' that is going to 'take over the world' because it is the best product. In fact it is about the 5th best product that actually sells in the marketplaces of the world and our far better one is sitting in someone's back shed collecting dust.

This is a bit like the other Aussie dream of the 'level playing field. Most of us have managed to ditch that silly concept.

A product succeeds because it has good marketing and distribution, not because it is the best. Good packaging and presentation combined with the 'right' pricing and performance, and the other key requirements.

The basis of our problem is that we don't have a good 'marketing' culture.

If we take a program like the New Inventors, rarely will you hear a question on marketing, potential distribution or price, and how the people are going to take it to market.

Viewers go off to bed with the 'feel goods' - "isn't it wonderful Nell that all those innovative minds are out there working overtime".

Most of these excellent ideas will amount to nothing.

The American Approach

If we look at how the Americans do it, they tend to start with the customer and work backwards. It is common practice to spend very a large amount of money on market research before starting any detail product development. Putting the 'cart' behind the 'horse'.

Here researching out :-

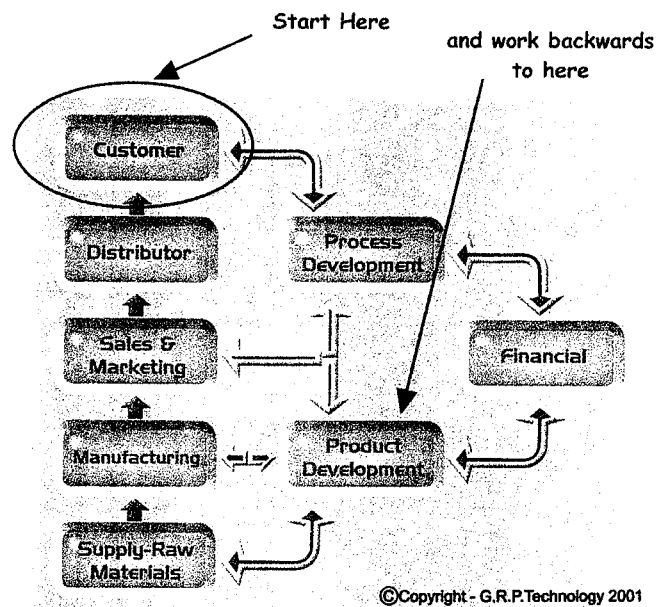
- whether there is really a customer for the product ?
- what feature benefits would delight the customer ?
- does it have a USP (unique selling proposition) ?
- what is the opposition ?
- what does the opposition product sell for ?
- how much is the customer prepared to pay ?
- where they would be likely to purchase it ?
- what are the margins involved, retail, distributor level ?
- therefore what do you have to make it for ?

Yes it is a marketing culture - and it works !
They also have an enormous local market to sell to as well.

Here we tend to dream up a good concept, develop it, and then go round looking for a market for it.

The way I put it to people is this - remember at school where you had a maths book. It had answers in the back. You look up the answer and work back to the question. That way you wind up with what is required.

Putting it very bluntly - The reality 'pal' is that this is business - if you want to go out there and have an emotional innovative 'wank' - fine, but don't expect others (investors & government) to pay for it. If its your money - fine - enjoy the adventure, but don't be surprised if you don't make anything out of it if you ignore marketing and distribution issues.



Setting the Scene

It usually takes a few years for a new company to develop a product. There is never enough money to keep the show going. Even when you finally get the manufactured item, properly packaged in the hands of an effective distributor, you are faced with having to finance the inventory for 'the big order'.

For a small enterprise the cost of protecting their innovation is very onerous. After this you have to consider registering your logos/trademarks etc.

You can pour more than \$50,000 into this activity very easily, and this is before you have sold a single product.

Lord help you if you actually have to defend any of these things. It is simply like throwing money into a shredder. Your lawyer will accept funds for patenting in places like China but so often forgets to tell the client that chances of enforcing it are slim if there is infringement, let alone the costs of running a case.

As an example, right now, I have clients who has been down the trail above, they actually spent the money on filing in China. The product is a winner, deals are underway for distribution in the major markets of the world. To get this far they have mortgaged houses, sold off surplus assets, got a number of investors on board (and what a job this is), and have worked around the clock.

Now out of the blue we have a national distributor of products add another item to their list, made in China - copy of guess what ? Would you like to guess how much it going to take to run cases here and in China should the copiers decide not to back down ?

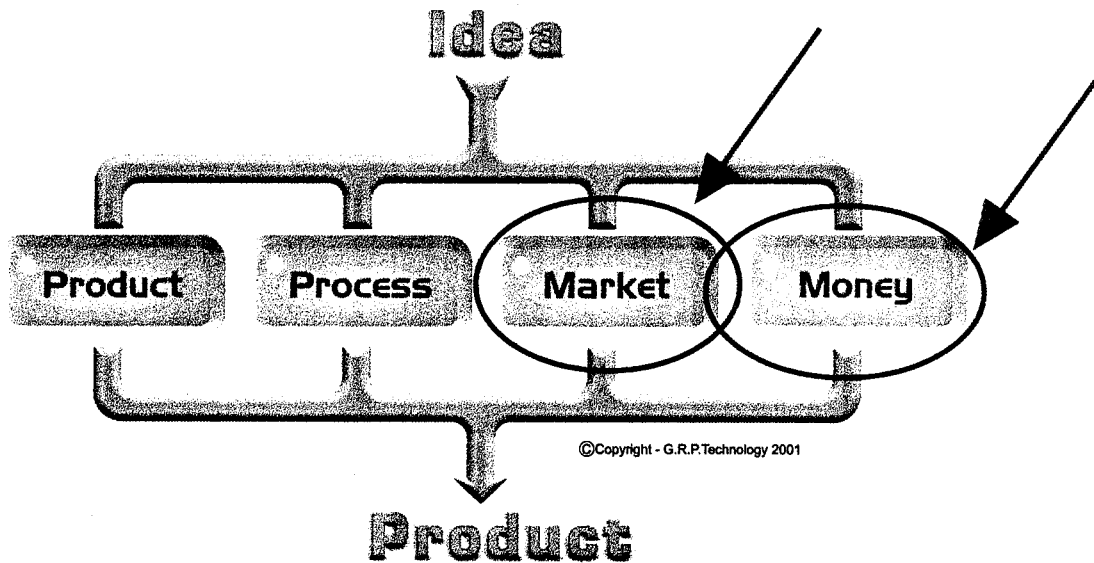
These people have done things the right way. Unlike so many innovators they fully understand the essence of marketing and distribution, and have been prepared to put the time, effort and funds to reach the 'real players' overseas.

Help from Austrade has not been marvelous (whilst they have done good things for others). They will win through, they have the right marketing culture - and where do they come from ? native born ? No.

The solution - It starts with educating. All those couch potatoes out there watching the New Inventors are a group who should automatically twig to the fact that most of those ideas are not really going anywhere of consequence. Yeah some may be the best, but without a good marketing and distribution system, they are really 'just entertainment' for the folks.

Key Issues

The two key issues in the process that pose serious problems for Australian innovators are Marketing and Finance.

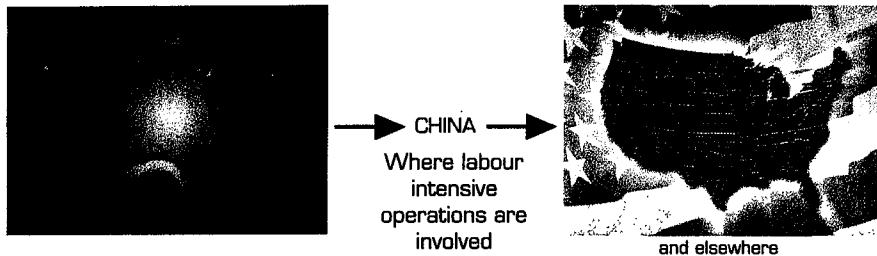


On the following pages I have made a brief summary of options that could make major improvements.

The Way Forward - Summary Points

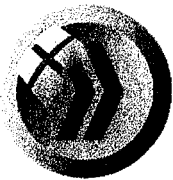
Let's just restate part of the 'thrust' of this submission :-

- The goal of innovation should be to reach the world. Not just downtown Sydney and Melbourne !
- To do this it may require us to manufacture the product, or the labour intensive part of, in places like China/Asia. Our low population base makes it hard to accumulate funds to launch expensive marketing campaigns in places like the US. China can give the potential lowest cost base for labour intensive products and help the cost equation.

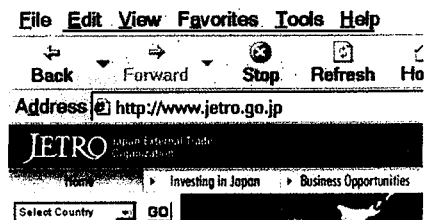


- A potential free trade deal with China has great advantages to us - provided we don't get 'duded' by their totally ineffective lack of IP control at 'ground' level. We need to be 'street smart' about this!
- To achieve market penetration in the places that count we need 'a leg up'. China can help us achieve this. They need a stable source of raw materials and we need their cheap labour.
- With regard to China and IP we need to focus on action at the local government level more so than the central government level. The responsibility of their customs, procedures for evidence gathering need drastic change plus criminal penalties, and confiscation. These are some of the requirements for a successful free Trade deal.
- Austrade (who say they offer help- can't quantify) need to put on retainer the best Chinese legal firm who understands how to get results in the IP area.
- If we can get the economies of low cost manufacture, we can reach the REAL markets of the US and Europe, which alone can yield us 60 times the sales volume here. This represents a big return to "Australia Ltd".
- Alternatively we can go down the original Dyson track - before he decided to go to Malaysia. This usually means limited sales. Dyson still employs 1200 people in the head office in the UK. Profit was up by 137% last year (\$257 million). This may help pay for some public education and health benefits in the UK.

The Way Forward - continued



- We have 20 million people - insufficient market to be very cost effective. We must be prepared to reach outside the country for the manufacture of labour intensive innovations. The price of raw materials can also be less and items such as packaging, can be an impost that exporters have had to bear for years.
- To enter the REAL marketplaces you must be cost effective, and be prepared to set up a proper distribution network with the right 'player' and with effective marketing.
- As Australians we don't have a good marketing CULTURE. Neither do the English / Europeans.
The Americans do - its a way of thinking - the best 'mousetrap' does not win. The best marketed one does win.
We need to recognise this issue and do something about it.
- We need to educate our innovators that if they don't pay attention to marketing they may as well not bother ! Get this silly idea out of their heads that the 'best' product will win.
- To bolster our international effort on behalf of our emerging innovators an organisation such as Austrade needs to have one of the best US marketing organisations on retainer. I mean the best - If you want results - don't tinker around - get the best ! We need the best experience with the right CULTURAL attitude to the problem.
- The Austrade website should make better use of the web to allow :-
 - (1) potential investors in new products / technology / ventures to easily access innovations here who have something to offer. Clearly marked with - no responsibility (by Austrade) just a 'matching' service. A national database that can help raise money for innovators.
 - (2) detailed marketing and distribution network data and interested organisations overseas database who may be interested in new product opportunities. JETRO (Japan External Trade Organisation) has been offering the equivalent of this for years.
- This information should be accessible from the front page of the website (as in JETRO case) without having to 'dig' and the links to this site should be very heavily promoted to overseas investor / business angels, distributors and marketers, as well as Australian companies.
Our people need money and a means of distribution.
This approach can get a lot of things going without tying down Austrade staff.
- (3) Listing on Austrade website a database of manufacturers (and links to their websites) who are interested in business from Australia.



Doing the Job Properly

If you want to get good results, having the right people certainly improves your chances of success.

If you are looking for good marketing advice on marketing Australian innovations in the US and elsewhere - you put the best - from the US - on retainer - yes it will cost a lot but the cost is going to help force people to act on the advice. Austrade already have sources of advice - here we are suggesting 'in addition to'.

In relation to intellectual property in China you need 'the' expert in the subject, a seasoned operator who is 'street-wise and knows the 'system' from the ground up, not a junior layer who is on a voyage of discovery.

Ways Around the IP issue

There are a number of other ways of helping to protecting your IP that are successfully employed.

It depends on the product and the circumstances. Here are a few.

(1) We have done the 'Coke' thing where a small amount of secret formulation is made in a secure location and is added to the rest of the product at another site elsewhere - where the security is poor.

(2) From memory Sunbeam produce product in China. They licence the manufacturers to sell rebranded product in countries they don't market to. This is an interesting arrangement but would not suit everybody.

(3) Producing the labour intensive part of the product in China / Asia and combining it back here into finished product. This isolates the Asian manufacturer from the full product.

(4) In Dyson's case their latest products have very complex and costly tooling which helps limit counterfeiting.

As with everything difficult - be prepared to think out of the square.

Take Advantage of the Web

If there was ever a tool that could bridge the tyranny of distance in a big country a long way from major markets - this is it !
Make it easy for investors to find innovators - for manufacturers to find distributors and the marketplace conditions.

The Dyson Story - Comments

Here I will use an example from elsewhere (UK).

The manufacturing side of this story created a storm of controversy.

We - at a distance - can be a little less emotional about it.

Dyson developed an exceptionally innovative concept that was to change the very nature of vacuum cleaner design.

This was a complete design change - the end product was not 'cheap' but very effective.

As a base in the UK he had a good sized marketplace (three times greater than ours) to effectively grow the business, which he did, but a point was reached where the issue of how to reach the REAL marketplace - USA - had to be faced. This is five times bigger than the UK and trying to penetrate with a product three times the price of some rival brands was not going to be an easy exercise,

A decision was made to close the manufacturing part of the company (800 out of 2000 people in the UK) and move it to Malaysia where labour costs were one third.

Armed with a low cost base and US\$20 advertising budget ('fuel' from the UK operation) he laid siege to the USA. Smart marketing promotion - such as the cast of the US show Friends, was seen using a Dyson cleaner, has driven Dyson past Hoover to capture 20% of the market, with what is a very expensive cleaner! A better cost base was essential here !

Two thirds of Dyson's sales come from outside the UK.

From the Australian viewpoint :-

We don't have the population base to get good economies of scale for most products. To launch into the US with a poor cost base is not smart, let alone the 'fuel' to fund promotion.

- For products with high labour content we must automate or perish here.
- If you are successful in the US, copies are likely to quickly appear, often by US distributors organising copies and 'variants' to be made in China (they will do it for you !). China - the lowest cost option in most of Asia.
- If we move the 'labour intensive part' of the product to Asia and very specifically China, then this problem can be overcome. With a small market here it is hard to accumulate the funds to spend on advertising / promotion in the USA & Europe.
- The main hurdle is to solve the intellectual property issues with China. Now with a free trade opportunity with China, the time is right to try and get a different set of rules for IP, that will help prevent someone copying your product and 'bumping' you off in the US within weeks (that's how fast they work). Edited versions UK parliament trade reports and similar from the US help demonstrate the REAL issues 'on the ground' that have to be faced.

The Dyson Story

Royal Geographical Society
Geography in the News
"Gold Dust"

www.geographyinthenews.rgs.org/news/article/default.aspx?id=331

"UK firm Dyson has recorded record profits this year. The Dyson vacuum cleaner is cleaning up in the US and sales are sweeping across Japan too. Yet just three years ago, owner James Dyson was heavily criticised for sacking 800 UK workers and moving his manufacturing plant to Malaysia. So do the new figures prove his critics wrong? And what does the success of Dyson tell us about globalisation?"

Until 2002, the Dyson vacuum cleaner company was widely regarded as a rather unusual British business. Its owner, James Dyson, had deliberately resisted moving operations abroad, despite the fact that labour and land costs would certainly be cheaper elsewhere. Choosing instead to keep his manufacturing plant in the UK, Dyson was often portrayed by the media as a patriotic figure, given that his reluctance to relocate was increasing the firm's operating costs and reducing potential profits. In economists' jargon, he was held up as a perfect example of a satisficer (someone who does not seek out the optimum geographical location for maximising profits)."

"Why did Dyson change his mind?"

In 2002, Dyson suddenly announced that he was relocating the production wing of his business to Malaysia. As a result, 800 semi-skilled UK assembly workers lost their jobs, although 1200 head office (tertiary) and research (quaternary) employees have remained in place at the firm's Wiltshire headquarters. The sackings led to accusations of hypocrisy being levelled against James Dyson by workers and Trade Unions. He quickly became "a symbol in the debate over globalisation and outsourcing" (The Independent on Sunday, 27 February 2005). However, this year's record profit of £102.9m - representing a 137% increase on previous figures - seems to vindicate his decision to move. Dyson products have even overtaken those of the Hoover firm to become the number one best-seller in the US. It appears the new locational strategy is working!"

"Costs

UK worker: £9 per hour

Malaysian worker: £3 per hour

(Source: Economist Intelligence Unit and BBC)"



Queen Elizabeth watches James Dyson unveil a plaque with a vacuum cleaner during a visit to his factory in Malmesbury, Wiltshire, before he shifted production to Malaysia in 2002.

© Reuters

"What happened next?"

When the cast of US TV show Friends were recently seen using a Dyson vacuum cleaner, American sales began to soar. An investment of \$20m in US advertising also helped. With production now based in Malaysia, Dyson was able to quickly and cheaply transport vacuum cleaners to North America, bringing sales to 891,000 in 2004. This represents an amazing 350% increase on sales in 2003 (The Guardian, 28 February 2005). Dyson has so far captured 20% of the US market, despite pricing his vacuum cleaners at around \$450 each (about £250). This is nearly three times the prices of many rival brands and show just how strong the image of Dyson as a premium quality product has become."

The Dyson Story - continued

"Dyson 'should pay import duties'"

Oliver Morgan, industrial editor
Sunday September 14, 2003
The Observer

Import tariffs should be imposed on companies that shift jobs from Britain to slash labour costs and boost profits, according to the new head of the giant Transport and General Workers Union.

Tony Woodley, a member of the so-called 'awkward squad' of assertive trade union leaders, said companies like vacuum-cleaner and washing-machine maker Dyson, which has exported jobs to Malaysia, should have levies placed on products made there and imported back into the UK.

Talking to The Observer at this year's Trades Union Congress in Brighton, Woodley said Dyson was a profitable company with a successful product range and that 'corporate greed' was the only reason behind its labour policy.

'We are losing jobs across manufacturing at the moment. In situations like this, where you have a successful and profitable company and it moves jobs overseas, I think there should be tariffs on their products coming back into this country.'

"Dyson cleans up in US market"

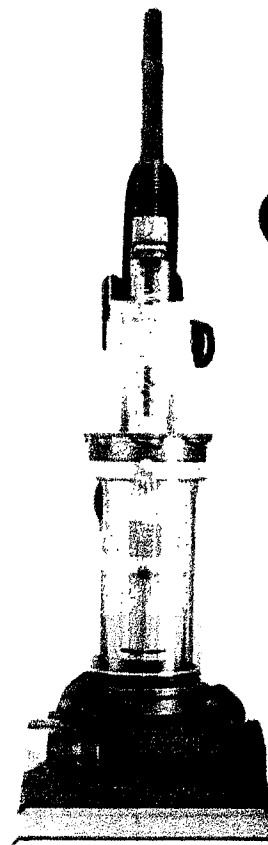
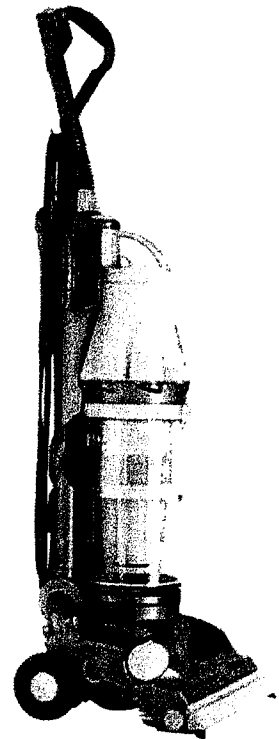
The Guardian -UK
Press Association
Tuesday February 22, 2005

"James Dyson, the inventor of bagless vacuum cleaners, today said his revolutionary machines had conquered the US market, two years after going on sale there."

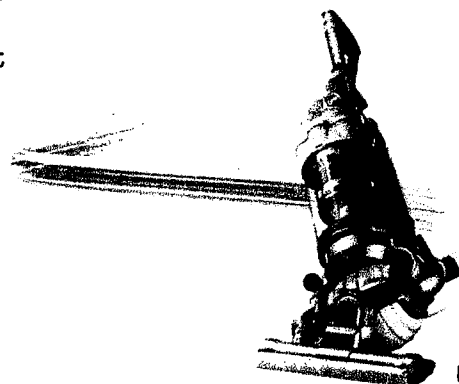
"Profits soared to £102.9m last year - up from £43.1m in 2003 - the design of which took 15 years and 5,127 prototypes to perfect - paid off."

"America is a notoriously difficult market to crack, and I believe it is our technology, which is developed in Britain, that the Americans are buying," Mr Dyson said. "I hope our success will encourage the British government and industry to place greater emphasis on research and development."

"Approximately two thirds of the £426m sales of Dyson vacuum cleaners in 2004 came from overseas" "Although production of its vacuum cleaners and washing machines is now based solely in Malaysia, the company employs 1,200 people at its headquarters in Malmesbury, Wiltshire, of whom 350 are research and development staff."



dyson



the ball
Twists and turns like
no other vacuum

Intellectual Property- China

The UNITED KINGDOM PARLIAMENT

Session 2002-03 - 14th Report
Trade & Investment Opportunities with China & Taiwan

Intellectual Property (IP) Protection

"All our witnesses agreed that the Chinese Government was becoming increasingly concerned about the effect upon China's reputation - and upon FDI - of counterfeiting and other infringements of intellectual property rights.

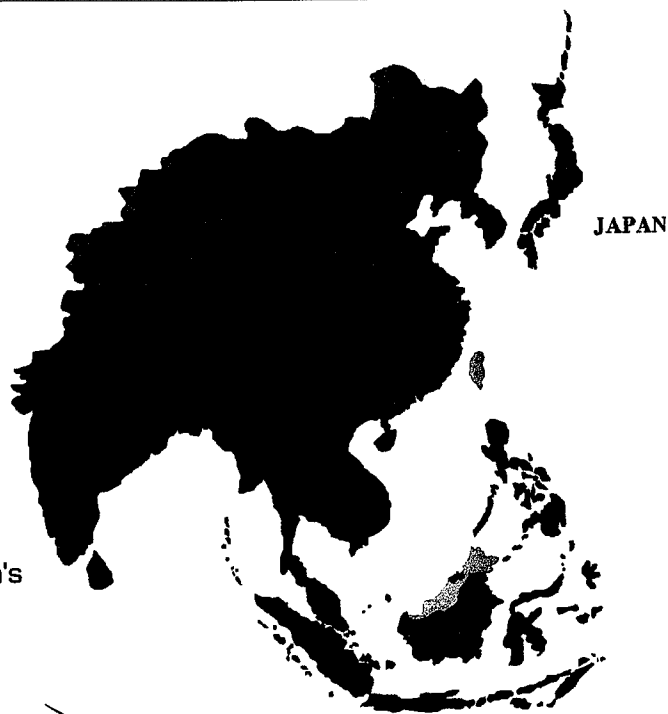
The Intellectual Property Association has identified China and Vietnam as two of the worst offenders for counterfeiting. One businessman with great experience of IP matters said that it was doubtful whether there had in practice been any improvement in the protection of IP in China in the last 5 - 10 years, despite increasing transparency and greater efforts by the authorities to enforce the law.

Software piracy was a particular problem: it was reliably estimated that business use of pirated software ran at about 52% in Hong Kong and at over 90% in mainland China. It is said by informed sources that both central and provincial governments have used pirated software."

"the counterfeit industries were mainly located in these poorer provinces, and were a major source of income and employment (up to half the population of a small town might be working in such an illegal factory), so authorities were unwilling to close the operations down. The final factor was corruption amongst officials. "

"We were also told that, where products were complex, companies tried to make them more difficult to counterfeit either by ensuring that some vital part of the technology was not subject to any licensing agreement but remained within the control of the UK company, or by changing the design or specifications every few months so that would-be counterfeiters found it difficult to keep up."

"We were told that accession to the WTO had caused both mainland China and Taiwan to tighten up their trademark, copyright and patent laws. There were still some loopholes, and a significant problem was that the penalties were insufficient: for example, IP owners would like to see the use of counterfeit software, not just its sale, made a criminal offence."



Worst offender

Government using pirated software

Official corruption

Ways* of limiting the problem
*see comments elsewhere

Change the rules

Intellectual Property- China

The UNITED KINGDOM PARLIAMENT

Session 2002-03 - 14th Report
Trade & Investment Opportunities with China & Taiwan



Enforcement required rather than legislation

Wrong responsibilities

Government officials need education on the perils to China of counterfeiting

Responsibilities of customs needs to change

Here is where we get to the 'coal face' - this is where its gets hard - but has to be faced

"However, our witnesses were unanimously of the view that the main difficulty with defending IP in China was not the legislation, which was sophisticated, but enforcement.

Unlike in the UK and other jurisdictions, where customs officials and local trading standards officers and others take an active role in tracking down counterfeit goods, in mainland China it is the responsibility of the owners of IP to enforce their rights.

We were told that officials were often reluctant to investigate potential abuses of IP. Many government agencies simply did not understand why counterfeiting was a problem. For example, the customs authorities preferred businesses to pursue grievances through the civil courts rather than involving them. Even if businesses persisted in demanding action from customs, it was the IP-owners themselves who had to track down and identify counterfeit goods, and then, if they wanted them seized, the IP owners had to post a bond of about one-third the value of the goods with customs before the authorities would seize the goods.

Until recently, because private investigators were illegal, such inquiries had been almost impossible. Such investigators did now exist (Pinkertons had recently set up in China), although they could not advertise themselves openly. However, major problems still faced companies trying to protect their IP.

Although central government treated counterfeiting seriously, local officials, especially in the more remote areas, could not be relied upon to take the same view .

In some areas, whole townships were dependent on the counterfeiting industry. Either for this reason, or because of bribery or a lack of sympathy towards foreign companies, local policemen often warned the counterfeiters if raids were imminent.

Local officials were very reluctant to close down the main source of income for the population. This problem, Mr Sivaraman feared, was likely to worsen: as uneconomic SoEs were closed down and millions of people became unemployed, government would be increasingly unwilling to curb counterfeiting if this were the only source of employment."

Intellectual Property - China - Continued



The UNITED KINGDOM PARLIAMENT

Session 2002-03 - 14th Report
Trade & Investment Opportunities with China & Taiwan

"Even after counterfeiters were caught, the legal process was doubtful. Although B&Q had been successful in the legal cases it had undertaken, many of our interlocutors in China were pessimistic about the chances of achieving results.

The officials from BTI said that, in relation to both mainland China and Taiwan (though not Hong Kong), they would advise companies to be very cautious about being drawn into litigation, which could be long drawn-out, expensive and uncertain in outcome. Their recommended course of action would be rather to discuss possible solutions with other companies that had suffered similar problems.

There were still difficulties, for example, with the complex procedural rules on evidence-gathering for courts; and there was still no requirement for Chinese judges to have any legal training, so many found it difficult or impossible to interpret the sophisticated IP legislation. We were told that matters had improved in certain respects.

It was no longer the situation that most court cases on IP involved foreign companies versus the State (which the State invariably won); now cases often involved, for example, foreign companies plus their Chinese partners against other Chinese companies, so the conclusion was not foregone.

However, we heard, even if the court found in your company's favour, the process of bringing the case was extremely costly, damages rarely covered costs (as they were based on Chinese fees and not the real costs of hiring investigators and expensive IP lawyers), and if you snuffed out one counterfeiter another would spring up almost immediately. "

Well there is nothing new about this, the same applies here, and can drain funds and energy, and ruin new (& old) enterprises.

Procedures need improvement. Even judges here, can get lost in product technical issues and can 'switch off'

To run a court case anywhere at a distance is very expensive. Austrade claim to offer help in China, but to what degree and how effective is a question. They should have on retainer local experts in the countries legal system, and how it works 'at the coal face'.

Intellectual Property - Continued South East Asia

The UNITED KINGDOM PARLIAMENT

Session 2004-05 - 6th Report
Trade with South East Asia

Intellectual Property Rights ("IPR")

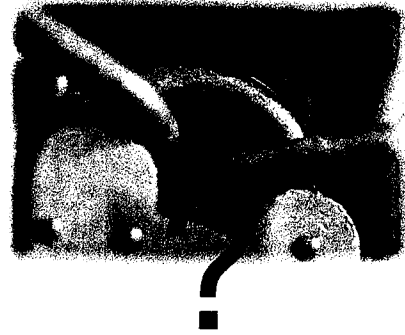
"22. In China both foreign manufacturers and foreign retailers have serious problems with counterfeiting of goods.

One of the main attractions of Singapore for British companies is the firm protection given to Intellectual Property Rights by the country's laws, reinforced by its courts. We were interested to explore whether there were greater difficulties in Malaysia and Thailand. Our witnesses told us that they had not experienced problems in South East Asia.

Both Tesco and Dyson emphasised that it was important not to be complacent. Dyson devoted a lot of effort to ensuring that the company had a very strong legal team working on patent and IP protection, and its reputation for defending its rights had been enhanced by the court case it had won against Hoover.

This was not enough, however. Manufacturers had to engage in continuous development of their products, to keep several steps ahead of counterfeiters.

Dyson admitted that it was fortunate in that the cost of tooling for machines to produce their recent designs was extremely high, so counterfeiters could afford to copy only the older versions."



When you launch a product in the US, and it turns out to be successful (or gives the initial appearance of being) other potential distributors / marketers will go to China to get a better priced copy. That's the sort of thing you have to face.

So common for manufactures to 'sit on their hands'. There are ways in addition to continuous improvement to make like difficult for counterfeiters - see comments elsewhere.

Intellectual Property - China - Continued

USCC.gov

U.S. - China Economic and Security Review Commission



U.S.-China Economic and Security Review Commission

STATEMENT of WILLIAM PRIMOSCH,
 DIRECTOR, INTERNATIONAL BUSINESS POLICY, THE NATIONAL ASSOCIATION OF MANUFACTURERS
 on behalf of **THE NATIONAL ASSOCIATION OF MANUFACTURERS**
 before the **U.S.- CHINA ECONOMIC AND SECURITY REVIEW COMMISSION**
 on CHINA AND THE WTO: COMPLIANCE AND MONITORING
 FEBRUARY 5, 2004



"Counterfeiting and Ineffective Enforcement of IPR Protection

The counterfeiting of U.S.-branded products and other violations of intellectual property rights are serious and growing problems in China. While Chinese laws on intellectual property rights (IPR) have improved considerably, the lack of consistent and effective enforcement by local governments has severely limited the ability of U.S. companies to protect their intellectual property rights.

More enforcement required rather than legislation

Violations of trademarks through product counterfeiting is rampant and on a massive scale. The violations involve a wide range of manufactured products, including consumer hygiene and health care products, athletic footwear, pharmaceuticals, food and beverages, motorized vehicles and vehicle parts, and even entire automobiles. Pharmaceutical counterfeiting is now, according to U.S. industry representatives, a serious public health concern in China. We believe that the lack of criminal penalties for counterfeiting, including jailing, prevents effective enforcement of trademark and labeling violations.

We are also concerned about reports that local government authorities are aware of counterfeit production and taking no action to halt it. There appears to be no mechanism for the national government to force local governments to stop counterfeiting by local industry or prevent them from aiding and abetting such activity.

Not so much the CENTRAL government you have to comes to grips with, but LOCAL goverment.

The failure of Chinese customs officials to block counterfeit product exports is a problem as well. An NAM member company reported that the Chinese customs service refused to cooperate in preventing the export of counterfeit products even when solid evidence of counterfeiting was provided. Chinese officials claimed that, since the "exporting" of counterfeit products did not constitute a "sale" of the products, the relevant Chinese law did not apply.

Customs officials are an important key to getting improvements

Other IPR violations are also common. They include: "unauthorized use of patented technology; and unauthorized use of U.S. product certification and testing logos. The makers of air conditioning and refrigeration equipment note that the ARI (Air-Conditioning and Refrigeration Institute) certification symbol was being used without authorization by a Chinese company. Other U.S. safety and testing marks are also being inappropriately used. Efforts to have the Chinese government stop this unauthorized use have proven ineffective."

Criminal penalties & confiscation of equipment.

"possible solutions, including changes in Chinese law that would permit criminal penalties and confiscation of counterfeiting equipment."