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AGMA Points to Four Distinct Threats to the High-Tech Industry

Organization Seeks to Mitigate Damaging Effects of Gray Market, Counterfeit, Service and Warranty Abuse and Digital IP Issues

LOS GATOS, Calif., March 1, 2012 – The U.S. Chamber of Commerce estimates that intellectual property (IP) threats cost domestic companies more than $250 billion per year in lost revenues. Add to that the loss of approximately 750 million jobs, and it is clear that more needs to be done to protect companies from these threats. To that end, AGMA, a non-profit organization and the largest group solely focused on IP protection in the high-tech industry, has identified four distinct areas of focus that must be closely guarded in order for the high-tech industry, in particular, to thrive and contribute to economic prosperity, innovation and security.

AGMA's members are some of the most innovative high-tech companies in the world. AGMA member companies have invested millions of dollars in local economies and delivered branded products that are trusted by billions of people. Founding members HP, Cisco, 3Com, Nortel and Xerox first came together in 2001, with the intent to establish a niche organization focused on addressing the challenges associated with combating the high-tech industry's gray market. When it became evident that gray marketing often walked hand-in-hand with counterfeiting, AGMA's charter was expanded to include a focus on stopping counterfeit activities.

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According to research conducted by AGMA and KPMG, the value of gray market products ranges from five to 30 percent of all IT sales, with an impact on profits between $8 billion and $10 billion. The same study reported that one in 10 IT products sold may actually be counterfeit. Gray marketing and counterfeiting impact more than just the bottom line – they can negatively influence brand image, customer loyalty and overall customer satisfaction.

 "As our areas of focus continue to grow and evolve, AGMA remains committed to our charter of educating the industry and the general public about threats to intellectual property – and the devastating effects these threats can have," noted AGMA's newly elected president, Dolby Laboratories' Director of IP Protection, Peter Hlavnicka. "Hindering these threats and making these activities more difficult, undesireable and unprofitable for the perpetrators is the ultimate goal – which we can accomplish through developing and sharing best practices. IP is a cornerstone of innovation and future technological advancements – and we must be diligent in our efforts to protect it."

In 2009, AGMA extended its focus to include service and warranty abuse, as this type of fraud is a significant contributor to the gray market, and acts as a conduit for counterfeit goods to infiltrate the authorized supply chain. Areas most impacted by service and warranty abuse include financial loss from unentitled service costs, loss of service revenue, failure rate distortion, and increased R&D costs. Cisco, in particular, has played a leading role in this area, having cooperated with law enforcement on numerous occasions to successfully prosecute perpetrators of warranty and service fraud – to the tune of millions of dollars in restitution being awarded to the company.

In recent years, AGMA member companies have seen their business models shifting from distributing their IP in the form of physical goods to distributing it in digital form. As such, the challenges associated with protecting IP in a digital format have become a more prominent focus at AGMA. This form of IP represents the most rapidly growing portion of the global economy, and thus is the fourth area in which AGMA is concentrating its efforts. The digital domain is a challenging one when it comes to IP protection - digital products are not tangible, and can be reproduced at a very low cost with the potential for immediate delivery via the Internet across virtually unlimited geographic markets.

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Building upon its strong foundation over the years, AGMA has evolved from the five founding companies to 19 companies, including leading IP rights holders in the high-tech arena such as APC by Schneider Electric, Avaya, Cisco, Dolby, EMC, Hitachi GST, IBM, HP, Juniper, Microsoft, Oracle, Qlogic, Samsung Mobile, and Seagate; and leading legal and consulting firms Deloitte & Touché, Price Waterhouse Coopers, KPMG, Kalow & Springut, and Sideman & Bancroft.

Looking to the future, Hlavnicka went on to say: "By striving to become synonymous with IP protection, we are looking to position AGMA as the preeminent resource for best practices and education in these matters. Our true advantage lies in the quality of our membership. This unique group of highly influential companies can discuss these pressing matters effectively – and have the ability to react very flexibly to new challenges."

To learn more about AGMA's initiative or to become a member, please visit www.agmaglobal.org.

About AGMA

AGMA is a non-profit organization comprised of influential companies in the technology sector. Incorporated in 2001, AGMA's mission is to address gray market fraud, parallel imports, counterfeiting, software piracy, and service abuse of technology products around the globe. The organization's goals are to protect intellectual property and authorized distribution channels, improve customer satisfaction and preserve brand integrity.

AGMA welcomes any technology manufacturer, as well as persons or entities that own or hold intellectual property rights to finished goods outside the technology industry; product and service providers; government and law enforcement officials who provide goods and/or services to combat gray market fraud, counterfeiting and warranty and service abuse threats. AGMA uses a variety of avenues to cultivate change in the marketplace, including event speaking, educational initiatives, benchmark studies, industry guidelines, and, where appropriate, public policy advocacy. To learn more about AGMA's initiatives or to become a member, please visit www.agmaglobal.org or follow them on Facebook.

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