

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

August 2, 2012

Chairman Jon Leibowitz
Commissioner J. Thomas Rosch
Commissioner Edith Ramirez
Commissioner Julie Brill
Commissioner Maureen Ohlhausen
Federal Trade Commission
600 Pennsylvania Avenue N.W.
Washington, D.C. 20580

Dear Chairman Leibowitz, Commissioners Rosch, Ramirez, Brill, and Ohlhausen:

We are writing to you regarding the important issue of stolen information technology (IT) in foreign markets and the potential impact to small manufacturers in the United States. Many foreign firms can obtain a competitive advantage by using large quantities of stolen IT to reduce their operating costs and therefore reduce the cost of their exported product.

As you may know, 98 percent of the manufacturing firms in the United States are small businesses. These firms provide thousands of good paying jobs throughout the United States and are a critical component of the economy. Naturally, these firms have limited personnel and resources, and many are unable to combat this form of unfair competition. It is important that the federal government utilize its resources to ensure small firms have the opportunity to remain competitive in the global marketplace.

The rise of IT theft and unfair manufacturing in foreign countries is alarming. According to industry reports, domestic manufacturers invested approximately \$90 billion in IT in 2010 alone. These investments give firms a competitive edge by increasing their productivity and efficiency; however, that competitive edge disappears if their competitors can obtain the same benefits with none of the cost. As Roland Mayer, President and CEO of Best Tool & Manufacturing, a small precision tool maker in Kansas City, Missouri recently stated,

“Consumers in our industry are very price sensitive and even small price changes by competitors cause them to choose our competitors over us. These lost sales have been threatening our ability to compete. For us to continue investing in our business, innovation and employees, it is absolutely critical that our competitors are on a level playing field with us – we pay fees for the software that helps run our machines and they should too.”

When law-abiding U.S. companies suffer from foreign IT theft, so do consumers. Fewer sales by these companies mean higher prices, less innovation, and reduced services for their customers. If left

unaddressed, this problem could threaten the ability domestic manufacturers to invent new cutting-edge technologies and products that will power the economies of tomorrow.

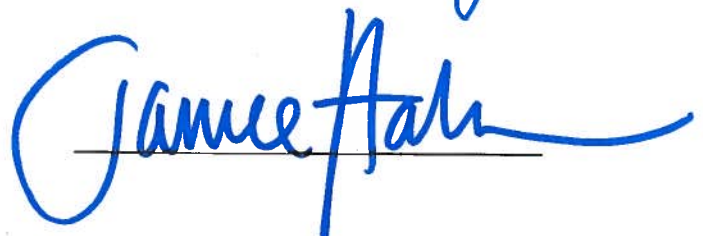
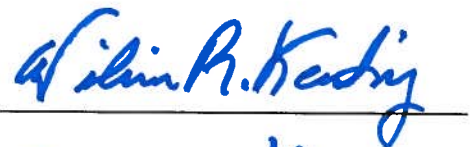
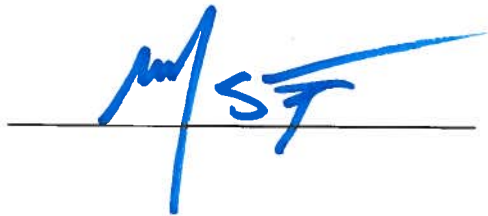
As you consider using your current legal authority to pursue international IT theft, we encourage you to carefully consider the possible side effects to ensure that any actions will not cause a burden or disruption to domestic companies and their current supply chain. In today's economy, we cannot place another regulatory burden or obstacle on small businesses.

We welcome the Commission's recognition of the importance of this issue. We ask that you continue to work in coordination with the states, other federal agencies, and relevant stakeholders to identify the best solutions to fight illegal IT theft. Thank you for your attention to this issue and we look forward to your response.

Sincerely,



Sam Graves
Chairman
Committee on Small Business



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