



July 8, 2010

Marilyn R. Abbott
Secretary
United States International Trade Commission
500 E Street SW
Washington, DC 20436

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On behalf of the members companies of American Apparel & Footwear Association (AAFA), we are grateful for this opportunity to submit comments to the United States International Trade Commission (ITC) investigation - China: Intellectual Property Infringement, Indigenous Innovation Policies, and Frameworks for Measuring the Effects on the U.S. Economy (Investigation No. 332-514). I thank the ITC for its commitment to enhance and improve American intellectual property rights protections across the globe.

As you know, the 2010 Customs and Border Protection (CBP) seizure statistics for 2009 indicate that footwear and apparel accounted for 38% and 8% respectively of the total value of counterfeit goods seized at our borders. Counterfeit products originating from China made up 79% of the total value of goods seized by U.S. Customs and Border Protection in 2009 with a domestic value of \$204.7 million. Counterfeit footwear from China totaled almost 48% of all infringing footwear in 2009 with the domestic value at almost \$98 million. Apparel made up 9% of the total value of goods seized from China accounting for almost \$18 million.

Based on AAFA member accounts, enforcement across China continues to be uneven. In some cities such as Shanghai and Beijing, Chinese Customs can be very effective in stopping goods before leaving China, while in others it is quite difficult to conduct enforcement work. Administrative fines and punishments for IPR violations remain low and therefore do not deter counterfeit activity. Typically, equipment used to produce counterfeit goods is not seized, enabling repeat offenders to pay the fine and continue with production. The Public Security Bureau is sometimes difficult to work with and expects unreasonable support from rightsholders.

China's IPR infringements of apparel and footwear are predominantly trademark violations. While some of our members utilize patent protections on some specialty

niche items, it appears that Chinese counterfeiters find it much easier to tread on companies logos and marks than the more complicated production of patented goods.

Internet sales of counterfeit clothes and shoes continue to be a major culprit against the industry. Many, if not most, of these sites are based in or have their goods manufactured in and delivered from China. They are often marketed as legitimate, purchased with a credit card and shipped directly to the consumer.

While the direct impact of these infringements to the U.S. economy, AAFA member companies and American jobs remains very difficult to quantify, various assumptions can be made. Obviously, the sale of counterfeit merchandise deprives the U.S. government of tax revenue from sales and corporate income. AAFA members also have felt the effect of their brands being tarnished in instances where the consumer may have purchased a counterfeit item while being told it was from the legitimate rightsholder.

In terms of U.S. jobs, internet and street vendor sales steal jobs away from retail establishments and other jobs along the supply chain. AAFA member companies employ millions of people in the United States within their companies' management structure, which includes designers, lawyers, human resources personnel among several other important job functions that keep these companies and the industry at large moving. Overall, it can be assumed that the prevalence of counterfeit goods in the U.S. takes AAFA members' customer base away from legitimate products, which prohibits members companies from hiring more people in these various job areas.

Thus far, AAFA member companies have not seen any direct impact of China's indigenous innovation policies on the industry. AAFA is monitoring the issue for the future in the event it may cause some harm to the industry.

We continue to receive various comments from members companies and will be sure to provide you more information as received throughout the duration of this investigation. AAFA staff has an ongoing charge to gather more specific data from its members so that we can work together to better calculate the effect of these infringements to American ingenuity.

In the meantime, if you need any additional information on our industry or details with respect to any of the comments included above, please contact Kurt Courtney at (703) 797-9039 or email kcourtney@apparelandfootwear.org.

Sincerely,



Kevin M. Burke
President and CEO