

[*Hot Property: The Stealing of Ideas in an Age of Globalization*, Pat Choate, Knopf, 368 pages]

Counterfeiting the American Dream

By James Gass

FEW COULD HAVE envisioned an American economic empire when in 1790 Samuel Hopkins of Pittsford, Vermont was granted the first U.S. patent for developing potash, an ingredient in the production of glass and soap. But Pat Choate's provocative new book, *Hot Property*, illustrates how the sanctity of ideas and scientific innovations has been one of the wellsprings of our national greatness. Choate also reveals hard truths about how tough foreign competition, our elites' complacency, and globalism are allowing America's patents, copyrights, trademarks, and intellectual capital to be pilfered.

Early on, Choate returns us to a time when Americans sought independence from the world and we gloried in our national competitiveness, our vigorous pursuit of national interests, and our genius for creativity. *Hot Property's* middle chapters discuss how Germany, Japan, and China used patents—and stole them from others—to remake their economies. Later chapters show how toothless interdiction efforts have left international pirating and counterfeiting virtually unchecked. The subplot: our free-trade policies and globalism facilitate this, “the great economic crime of the twenty-first century.”

The worldwide fleecing of intellectual property accounts for annual losses to the U.S. and Europe of approximately \$250 billion and \$400 billion respectively. This international larceny depends on nations that can actually foster ideas and invent contraptions. The cotton gin, Goodyear rubber, steel

production, the Kitty Hawk Flyer, auto manufacturing, Hollywood, IBM, and biotechnology are just a few examples of America's ingenuity. Throughout *Hot Property's* pages, Choate crafts vignettes about American inventors, authors, and entrepreneurs, men like Eli Whitney, Alexander Graham Bell, and Thomas Edison. These sketches help us, as M.E. Bradford wrote, to remember who we are.

One of the legacies of the Anglo-American world has been the defense of private-property rights. As demonstrated by the Magna Carta, the common law, John Locke, and the 1709 Statute of Anne protecting copyrights, the British were the Western world's pioneers in legally safeguarding assets, ideas, and land. When the conservative revolutionaries who founded our Republic broke with king and parliament, they fought to preserve enduring legal traditions that the British Empire itself no longer fully upheld. In Philadelphia, when Madison proposed embedding the authors and inventors clause for securing copyrights and patents into the Constitution, the delegates consented unanimously and without debate.

Choate tells us that in 1790, the Framers—and specifically the first secretary of state, Thomas Jefferson—established the U.S. Patent Office so that American citizen-inventors could profit from and secure exclusive rights to their ideas. The Patent Act of 1793 granted U.S. patent protection only to American citizens. Clearly, the Framers were committed to encouraging and guarding U.S. inventors and scientific innovations in support of our national wealth and security; civic duty came before democratizing science.

Though the U.S. comprises only 5 percent of the world's population, Choate states that Americans, “create a majority of its innovations.” IBM, for example, holds the greatest number of patents worldwide, some 40,000. Programmed into our liberty, America's creativity is truly astounding, especially considering that until recently the number of Americans with college degrees has always

been quite small. Yet *Hot Property* points out that Americans have long been among the most literate people on earth, mostly due to Bible reading and newspapers. Famously, Thomas Edison, who still holds the record for the highest number of individual patents, with 1,093 in the U.S. and 1,200 in 34 foreign countries, was deaf and had no higher education. From the beginning, American inventors and innovations have been the envy of the world.

In 1786, John Adams observed, “The moment the idea is admitted into society that property is not as sacred as the law of God ... anarchy and tyranny commence.” *Hot Property's* chapters on our rivals' ways with patents and globalism's ineffectiveness in preserving intellectual property are alarmingly instructive. We also learn about the ways in which the so-called “global community” manipulates and exploits America's legal system, which puts the onus on individual patent holders to defend their rights.

Choate describes how the “German Method” of using patents as tariffs to protect that country's technology-based and government-subsidized industries has existed since Bismark. Germany has used a network of patents, banks, corporations, cartels, engineers, and scientists to dominate the world's chemical industry for 150 years. The Germans' long-standing patent strategy involves withholding licenses from U.S. companies, refusing to share their technology, erecting barriers to industrial espionage, using only German workers in sensitive positions, hiring American lawyers to seal their patents in the U.S., and filing thousands of misdirecting, incomplete, and often bogus patents to throw off their competitors. In the past, these phony German chemical patents have proven lethal to would-be foreign copycats.

IG Farben, Germany's pre-World War II chemical cartel, despite defeat in the war, the break-up of its companies, and the Allied seizure of tens of thousands of patents, gradually evolved into Germany's “Big Three” chemical corporations. In

2003, one of the major companies derived from IG Farben, BASF, was the world's leading chemical corporation, far outpacing America's Dow and DuPont. It is no surprise that both Japan and China have replicated this successful "German Method."

In 1990, Choate's *Agents of Influence* alerted Americans about the Japanese lobbying our government and buying up our treasury bonds. Fifteen years later, we are shocked that 75 percent of America's debt is owned by Asian, and predominantly Japanese, banks. In *Hot Property*, Choate revisits how Japan's postwar economic rise piggybacked on America's military and diplomatic objectives. While America was containing the Soviets, North Korea, and China, Japan used our strategic needs in Asia to gain special access to our domestic markets and precious technologies. Cold War presidents actually forced U.S. companies to share patents with the Japanese without charging royalties. Meanwhile, Japan was sheltered by our military and by its own tariffs.

"Japan's Way" with patents has been informed by a nationalism that views power as derived from "economic rather than military conquest." Japan executes "one of the world's largest industrial espionage operations," led by the Japan External Trade Organization (JETRO) and the Ministry of Economy, Trade, and Industry (METI). Japan's economic objective is clear: to use its bureaucrats, scientists, and graduate students to steal from and undermine foreign companies and look after Japanese interests. Japan also employs "patent flooding," "patent mining," and "stripping foreign patents from owners." This includes filing hundreds of trivial patents on all the component parts of the patented product, amounting to a patent end-run. At the same time, Japanese companies pinch our technology through the compromises we make, such as "royalty-free cross-licensing agreements" and "strategic alliances." Tokyo terms this economic strategy the *kyosei* movement. This translates plainly into English as "dependence."

"China Rising" is the subject of much discussion, and well it should be because China's ascent is the great economic event of the 21st century. In *Hot Property*, we see the Chinese ransacking our patents, copyrights, and trademarks. China, Choate writes, is "a counterfeiter's paradise" and "is using all the usual means" to acquire our technology, including "licensing, theft, piracy, intimidation, spies, and cooperation." Through joint ventures with Chinese businesses, Microsoft, IBM, Boeing, GE, Motorola, and other American companies have been "shifting ... work, jobs, research, and development to China." In these free-trade deals, we allow our technology, our security, and our future to be given away for cheap labor, short-run profits, and diplomatic niceties. With 3,000 Chinese companies operating inside the U.S., the Chinese have stolen not just our CDs and DVDs but the designs for our modern nuclear warheads and our missile guidance systems.

Since 1980, Communist China's historic growth has capitalized on Amer-

ica's commitment to globalism. Our consumption, debts, trade deficits, and China's \$50 billion annual counterfeit industry are facilitated by the "laxity, naïveté, and greed" of America's political, business, and academic elites. Between 1985 and 2000, of the "68,500 doctoral degrees in science and engineering from U.S. universities ... 26,500 of those degrees went to students from China." While profiteering from our national decline, the nation's elites silence any debate about how America's faith in "a world without borders" is helping the Chinese rip us off.

In so many ways, the culture of free trade has eroded the laws and government policies that would allow Americans to defend themselves from international piracy. The cutpursing of U.S. patents and products is of little interest to the globocrats of the WTO, which like the UN has overtly anti-American biases. For our part, between 2000 and 2004, "the U.S. filed no intellectual property cases with the WTO." Only a few lawyers at the Justice Department are assigned to apprehend the intellectual robbers of America. Wasn't it the "knowledge work" that was going to be preserved when free-trade policies took America's manufacturing jobs overseas? Evidently, our political class has been far too busy listening to that tired old tune, "We Are the World," to preserve the foundations of their own country.

In September 1787, a certain Mrs. Powel patiently awaited the outcome of the Constitutional Convention. As Benjamin Franklin, America's greatest inventor-statesman, departed Independence Hall, she asked him, "Well, doctor, what have we got?" Famously, Franklin responded, "A republic, if you can keep it." *Hot Property* offers us an appreciation of our nation's politically brilliant and scientifically dynamic past. It also reminds us about the urgent need to safeguard our inventions, lest our Republic's principles themselves be counterfeited or stolen outright. ■

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[*The Vast Left Wing Conspiracy*,
Byron York, Crown Forum, 277
pages]

Conspiracy Theory

by Peter J. Lynch

IN JANUARY 1998, as wild rumors about White House interns, a blue dress, and impeachment flew across Washington and cyberspace, first lady Hillary Clinton appeared on NBC's "Today" show and matter-of-factly dismissed all the fuss as the product of "a vast right-wing conspiracy" targeting her husband. Perhaps forgetting that President Clinton's eventual impeachment amounted to a rather Pyrrhic victory for the Right, the Left decided to try its hand at removing a sitting president. Not long after the disputed election of George W. Bush in 2000, it began to assemble a grand coalition in the hope of unseating him in 2004.

For almost two years, *National Review* White House correspondent Byron York tracked a network of grassroots Internet activists, liberal filmmakers, big-money Hollywood donors, and Clintonite think-tankers who worked more or less in concert to elect anyone whose name wasn't Bush. Using everything from talk radio, web-based virtual meetings, and blockbuster documentary films to old-fashioned get-out-the-vote operations, this effort cost tens of millions of dollars, involved hundreds of thousands of people, and ultimately came to naught. York calls the movement—and the book that resulted from those two years—*The Vast Left Wing Conspiracy*, and he insists that despite its failure to defeat Bush in the last election, this network has nevertheless engineered a revolution in American politics and "seems poised to exert even more influence in coming campaigns."

York traces the genesis of the conspiracy back to the Clinton impeachment. A small clique of Democratic activists, led

by a California couple who became multimillionaires thanks to a screensaver featuring winged toasters, created a website called MoveOn.org. With its modestly vindictive goal of defeating members of Congress who supported the impeachment, MoveOn represented one of the first successful uses of the Internet as a means to achieve a political end. The Bush administration, right from its controversial beginning in the 2000 election, was squarely in the group's crosshairs. As the chance to defeat the Red (State) Menace drew near in 2003, MoveOn and its cadre of outsiders joined forces with veteran strategists from a variety of progressive outfits and deep-pocketed benefactors of left-wing causes.

The outsider status of the initial conspirators is key and rightfully highlighted by York. Its constant attempts to stir up resentment toward the rich notwithstanding, the Democratic Party's secret shame for years has been that it depends on a relative handful of very wealthy donors to provide the bulk of its funding to a much greater extent than the Republican Party does. The McCain-Feingold campaign-finance regime, which capped contributions to candidates and parties per election cycle at \$2,000 and \$25,000 respectively, thus disproportionately harmed the Democrats.

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But since American politicians are congenitally incapable of writing tax law free of loopholes, a host of new organizations called "527" groups (after the section of the tax code that permits them), sprang up almost overnight to keep money in politics. Donors to these outfits could contribute as much as they wanted, the only catch being that by law the 527s could neither co-ordinate with a campaign or party nor endorse candidates.

And contribute they did. Gripped by their monomania to defeat Bush, the

Left's money persons lavished their lucre on a glut of new 527 organizations with names like the Media Fund, America Votes, and most prominently, America Coming Together, or ACT. While ACT raised millions of dollars and enlisted thousands of highly motivated volunteers to drum up opposition to Bush and mobilize voters in swing states, particularly Ohio, other opportunities presented themselves to the well-heeled radical. Former Clinton crony John Podesta founded a new think tank, the Center for American Progress, to produce an *ex post facto* ideology for the vast left-wing conspiracy. A few idealistic venture capitalists financed Air America, an upstart talk radio station exclusively broadcasting voices from the left side of the spectrum to counterbalance Limbaugh, Hannity, and company. The rhetoric emanating from these mouthpieces tended to wax extremist, another indication of the diminished importance of the national party apparatus. Modern electioneering can be nasty, but it is doubtful that the professionals at the Democratic National Committee would have allowed the rancorous attacks on the president, such as the numerous online commercials equating Bush with Hitler, produced in 2004 by those operating without any concern for Beltway establishment niceties.

The main financial supporter of the anti-Bush coalition was the Hungarian-born financier George Soros, known prior to September 11 primarily as the head of the Open Society Institute, a foundation that provides grants to help former Eastern Bloc countries transition from godless communism to godless capitalism. The War on Terror that followed 9/11 convinced him to meddle in the affairs of his naturalized homeland for a change and inspired him to do everything in his power to defeat George W. Bush. By the end of the 2004