

Philips ramps up IP protection

In January 2008, AV News published a report on Philips' measures to re-engineer the lamp aftermarket, providing projector users with a legitimate alternative to copy lamps. In this follow-up interview, we assess the success of the initiatives and find out what actions Philips will take going forward.

When we last visited Philips' Lighting in Turnhout, Belgium, Henk Coppens, former CEO of Philips Digital Projection Lighting, outlined his plans to satisfy the demand from projector users for affordable replacement lamps without having to resort to copy lamp suppliers. Eighteen months on, AV News interviewed Philips Lighting's global sales manager Gert Lieten (GL) and global channel development manager, Caroline Robert (CR) to review progress.

AVN: What has been the relative impact of the economic slowdown on demand for (1) lamps for new projectors / rear projection televisions (RPTVs) and (2) replacement lamps?

CR: Growth in the RPTV business is limited, but not just because of the recession. Mitsubishi is the only brand still offering RPTVs for the high-end niche of 65 inches and above. All the other main brands exited the market in 2008. In that sense, the installed base for RPTVs is not growing significantly.

In the front projection market, the installed base is still growing but we predict that the market

will be around 5 million units for 2009, compared to the 6 million initially forecast.

We see investments in new equipment being postponed and both institutions and consumers are more likely to look for a replacement lamp module than buy a new projector. In the RPTV sector, we see that the economic slowdown has actually had a positive effect because end-users are more likely to replace a broken lamp than the TV.

AVN: Are there signs that the copy lamp problem is growing because end-users are under pressure to find cheaper replacement lamp modules?

CR: The copy lamp problem is growing, but not specifically because of the recession. Copy lamps are sold to consumers who are unaware of the differences between the various options of replacement lamps that are available on the market. The internet is booming with sites offering replacement lamps and lamp modules.

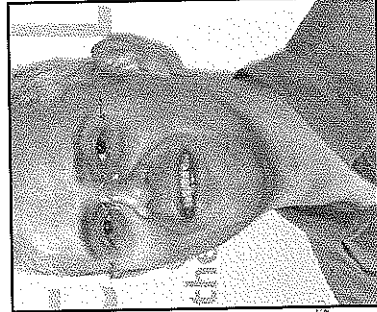
Unfortunately, many of these internet shops source low quality lamps from illegitimate sources, offering counterfeit and copy lamps. Even distributors are not always aware that they are buy-

ing counterfeit lamps and lamp modules. Where distributors are aware, they believe that economising on the purchase price will increase their margins. This is not always the case and, of course, they are misleading their customers.

AVN: Is the copy lamp problem universal, or is it specific to certain regions?

GL: The share of copy lamps varies significantly among the regions. In Europe, our experience leads us to believe that consumers still value quality and performance. We have found that up to 85% of consumers are willing to pay a higher price for a lamp of the original quality, and so the penetration of copy lamps in the European market is rather limited.

In the US, we see much higher copy lamp penetration. Consumers are looking for the cheapest alternative available. This is a culture that developed in the RPTV market and which has migrated to front projection. Asia, being the 'king of copies', shows an even more dramatic spread of copy and counterfeit lamps, which can amount to as much as 56% of the market by



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Caroline Robert, Philips Lighting's global channel development manager: "IP is in our DNA."

the same technology, the same components and are manufactured in the same facilities as the lamps we sell to projector manufacturers.

But we accept that satisfying demand for replacement lamp modules is about more than price. Availability is often at least as important, and can be more important to some consumers. While the Philips' authorised compatibles initiative addressed the price and margin issues, it did not fully satisfy the question of availability. Therefore, it did not reach the planned objective of elimi-

value, and an even greater percentage by volume.

AVN: Has the introduction of Philips approved compatible lamps through authorised specialist lamp distributors been effective in countering copy lamps?

CR: The introduction of authorised compatible lamp distribution has contributed to the reduction of the impact of copy lamps by creating wider availability of original and genuine lamp modules. These compatible lamps authorised by Philips are original in the sense that they are manufactured using

nating copy lamps. We find that incentivising distributors and dealers to move away from copies is effective up to the point where the supply is interrupted, at which point they would rather go back to the copies than disappoint their customers.

GL: Philips' main focus remains on developing new technologies and building the initial market, rather than capturing the aftermarket, but we recognise our responsibility to minimise the impact of copy lamps to both protect consumers and to support our business partners. We are the only company actively trying to stop the copy lamp manufacturers and distributors.

AVN: In recent months, Philips has taken a more aggressive approach to protecting its IP rights. What measures have been taken and how effective have they been?

CR: IP is in our DNA. Philips holds 49 patent families (granted in one or more countries) for its UHP lamp technologies. There are a further 51 families of patent applications filed. Philips' patent portfolio includes some basic patents which are difficult to circumvent when manufacturing UHP lamps. Our Intellectual Property and Standards department assesses lamp products from around the world to moni-

tor potential infringements. These might occur in the lamp design, the way it is assembled or even in the manufacturing process.

GL: The recent successful action against Iwasaki was followed by a series of letters issued to distributors at InfoComm in June of this year. Many distributors are not even

aware that they are buying and selling copy lamps – nor are they aware of the possible legal implications. Our first intention, when we wrote to US distributors, was to inform them of the possible legal implications they are facing.

We have received some reaction to the letters sent and we are aware that some distributors are considering abandoning

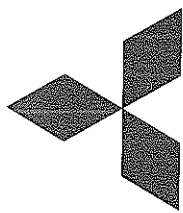
copy/lamps that infringe Philips' IP. We try, wherever possible, to find a way forward that will enable these distributors to put their businesses onto a legitimate footing. We have found that their primary concern is almost invariably to find a reliable source of genuine or original lamps that can offer the full range of projection lamps, without having to shop around

to fill gaps in supply.

AVN: Will the scope of these actions be extended?

CR: Philips policy is to take rigorous action to protect its patents. The current programme by the Intellectual Property and Standards department will hopefully lead to the withdrawal of some copy lamp

manufacturers from the market. Our actions so far concentrated on the vast OEM market channel and after having achieved significant successes in courts confirming the standing of our key patents, we have now begun to focus on patent violations in the smaller, but important after market.



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