Published:	**Sunday, February 01, 2004**	Edition:	**STATEWIDE**
Page:	**D1**	Type:	**COLUMN**
Section:	**BUSINESS**	Source:	**Dan *Haar***
Column:		Series:	

BIDDING FAREWELL TO THE MACHINE EQUIPMENT FROM FAILED FACTORIES FOLLOWING JOBS TO ASIA

It's hardly a rare sight these days when auctioneers, buyers and assorted hangers-on gather at a hometown New England factory for a foreclosure sale of machinery.

This time it was Ideal Forging Corp., which shut down its machines on Sept. 11. Company chairman Jim Simone, who turns 75 this month, was at the Jan. 21 auction to watch his life's work, and the life work of his father, dissipate in four hours of bidding.

It's never easy to watch, this breaking up of old-line factory culture. Starting one year before Simone was born, Ideal banged out flanges and all sorts of industrial metal objects at its complex just off Main Street.

Hardly a rare sight. But as riggers spend February clearing out the floors, something different is quietly happening. Here and elsewhere, some of the biggest and most expensive machines will follow the jobs to Asia -- typically in a circuitous route through dealers and refurbishers.

China, India and other Asian nations building a huge industrial base have been major destinations for new factory equipment, as U.S. machine tool orders have fallen by two-thirds from a 1997 peak of $5.5 billion. And buyers in those nations have snapped up used equipment from the West Coast for years.

Now, upwards of half all the used machinery sold in this country wends its way to Asia -- perhaps even more. No one can keep an accurate tally, but the Asian plants are magnets for large, one-of-a-kind machines and late-model, sophisticated equipment.

``Five years ago, if we were selling out of the country, I'd say 5 percent at the most," said auctioneer Tom J. Gagliardi Jr., chief executive of Thomas Industries, a Guilford-based firm that conducts industrial auctions around the United States, including the sale at Ideal.

These days, Gagliardi said, ``A big portion of the key items at our auctions are going out of the country, in many cases back to the same countries that created a plant closure in the United States."

As an economic trend, the export of idled factory machines amounts to a blip, a few hundred million dollars a year. If the forging presses and milling centers would just rust here, why not sell them where they'll do some good? Their owners deserve at least some small compensation, although that's no help to the jobless workers.

But as a symbol of change in America, the specter of machines bolting for foreign shores closes a perilous circle. Economic pressures squeeze U.S. factories, which lose work to their Asian competitors. Finished goods arrive here in packed ships. Former factory workers earning half their old salaries sell those goods at Wal-Mart. American consumers reap the benefits of lower prices.

In a final punctuation mark for history, ships return to China carrying the very machines that churned out American might in the first place. The bedrock of industrial memory floats away, literally.

``Our edge is slowly eroding because we're shipping these damn machines overseas," said Mark Rogo, who is phasing out his second-generation Los Angeles machinery sales firm in favor of a Web-based industrial manuals business.

It's debatable why or even whether our edge is eroding. But Rogo's reaction is part of the anger that's creating a push for reforms to help U.S. manufacturers. Compounding the issue is a business cycle in which manufacturers made some dumb moves heading into a deep recession.

Solectron Corp. for example, in late 2000 announced a huge expansion at its Westborough, Mass., plant making equipment for electronics firms. Three grim years later, Thomas Industries ran an auction there, using Thomas' sophisticated Internet-voice system that connects buyers from around the world. The sale raised $1.7 million, $1 million of which came from late-model machines that went to Asia.

As for the export trade, the U.S. government already has restrictions on shipping certain advanced equipment to some countries, China included. Regulators can't enforce those rules because they can't trace a machine after it's sold, and, anyway, there aren't enough trade cops to police the flow. Rogo said he recently spurned a Chinese customer who matter-of-factly asked him to ship a forbidden machine.

Adding restrictions to the machine trade isn't a good idea. As the scene at

Ideal Forging shows, the buying and selling of big-ticket manufacturing equipment is wedded to global commerce, for better or worse.

Back in the boom of the late `90s, Ideal had grown to an all-time high of 180 employees. In addition to forging, Simone's company had built a thriving business machining flanges. Sales were strong enough in 1999 to justify the purchase of a $900,000 press. The rebuilt Smeral came from the Czech Republic, painstakingly delivered to the Ideal complex at a shipping cost of $175,000.

Sadly, the Smeral never saw the inside of a factory at Ideal. By the time the company got the permits to move it and arranged transport, the industry had collapsed. On Jan. 21, the day of the auction, the main hulk of the Smeral lay on the frozen ground, unmoved, all 234,000 pounds of it.

As they waited for the bidding to open, Simone and an old friend and colleague lamented the timing of the Smeral press purchase.

``That would have really knocked out the parts," Simone's friend said.

``It just didn't work out," Simone replied.

``Is there much interest in it?"

``I don't know."

The Smeral would sell new for $3.5 million today. Simone said he hoped it would fetch $300,000. As buyers gathered in his former flange-shipping department -- a crowd of middle-aged men and two women -- Simone, with white hair and a mustache, well dressed in brown slacks and a sweater, took a spot at a long table by the louvered windows. Outside, he could see a row of old stores leading to Main Street, the top of the First Church spire barely visible. He stood under a colorfully drawn Chamber of Commerce map of Southington, which showed, of course, Ideal Forging.

``I couldn't resist coming down here," said Simone, a former local planning and zoning chairman. ``It used to be my life. We had to struggle like hell to buy all this stuff."

Gagliardi started the chanting auction rhythm just before 11 a.m., and Simone's last hopes quickly ended as machine after machine went for scrap-metal prices, or maybe for parts.

``It's ridiculous," he said, ``the prices they're getting."

The Smeral came up late in the bidding. Gagliardi pushed two buyers up to

$100,000, then one dropped out. Sold, for $105,000.

The buyer was with a Connecticut firm, apparently working for a large machine rebuilder from Germany.

``Their fellow that was here said the majority of their presses are going to China and India," Gagliardi said. ``The sad part of it was, there wasn't a company in the United States that could take advantage of a unique opportunity."

The unsuccessful bidder, Larry Epstein of National Machinery in Newark, did buy a large press for $40,000, without a customer in mind. But he, too, said most of his sales are overseas.

``We've got somebody from Iraq coming up to look," Epstein said.

But in a bright spot for Connecticut industry, a third large forge went to Peter Bourdon of Bourdon Forge Co., in Middletown. His business is holding its own. ``It's very tough, I'll tell you. You've got to be able to turn on the dime," he said, as he left, accepting congratulations from some local folks.

Including this auction and previous sales, Ideal realized about $1 million for its equipment, for its major creditor -- machines the Town of Southington valued at $3.3 million one year ago. The five buildings on 18 acres, valued at an additional $3.3 million for property tax purposes in 2001, will also prove a tough sell. Right across the street, another old, brick hulk has been converted into Factory Square, with space for lease.

It is an industry dominated by family businesses: Simone at Ideal, Gagliardi at Thomas, Epstein in Newark, Rogo in Los Angeles and Bourdon in Middletown all run or help run companies that their fathers founded. And the pattern is clear: In the machinery business, as with the work that the machinery turns out, anyone who can't jump into the global marketplace loses.

Dan ***Haar*** can reached at ***haar***@courant.com.

Published:	**Sunday, March 14, 2004**	Edition:	**STATEWIDE**
Page:	**D1**	Type:	**COLUMN**
Section:	**BUSINESS**	Source:	**DAN *HAAR***
Column:	**DAN *HAAR***	Series:	

OFFSHORING PATENT JOBS NO THREAT, FOR NOW

If we could patent the venomous debate about white-collar jobs moving to India, Michael Cantor might have the perfect case.

A patent lawyer, he co-heads the state's largest intellectual property firm, and he has been adding local jobs at an amazing clip. His latest edge: Cantor Colburn LLP, based in Bloomfield, has hired employees in India to draft U.S. patent applications for ideas developed in the United States.

``We can train Ph.Ds in India to draft these things there for a fraction of the price," Cantor said.

Sending legal work to India ramps up the stakes when it comes to maintaining U.S. economic might. American law firms, love `em or hate `em, are the oil in the engine of commerce, and they're just now starting to discover India as a source of labor. More to the point, nothing signifies technology prowess more than patents and how they're handled.

Cantor Colburn's India venture is creating jobs here, not choking them off, just as the shipping of service work to foreign shores is creating U.S. prosperity. That's true for now, at least. Cantor worries that it won't hold true for his firm as his India team expands.

Boosting work here is central to the plan for Cantor Colburn, which has grown from eight lawyers in 1998 to 50 today, with 100 employees and an office in Michigan.

The patent cases the firm has sent offshore so far have been those near the bottom of a very large client's priority list. It's work that might not have been done at all. But at newly lowered rates -- far less than the $7,000 levy for a typical All-American patent application -- that client, which Cantor declined to identify, is now seeking many more patents for ideas that would have gone unprotected.

``We're basically creating property rights," Cantor said.

Creating them here, that is, and also in India. The highly trained engineers working on Cantor Colburn's patent cases are part of the new vanguard of intellectual property rights over there.

Cantor Colburn will naturally expand to seek patents for ideas hatched in India. And the firm is now able to offer this lower-cost service to other clients, some in the States, others in places such as Korea.

The four people in a New Delhi law office drafted 50 applications last year, and will draft 75 this year. By the middle to the end of this year, those cases

will require the full attention of two lawyers and two support staff members in Bloomfield, Cantor said.

That's because in the intellectual property world, patent applications require active petitioning of the patent office. They also are the gateway to joint venture work, litigation and all sorts of other lucrative assignments.

``This is just another source of business,'' he said.

But Cantor asks the scary question before I get to it: ``What happens when down the line we have 50 Ph.Ds drafting these, and they're really good?''

Will the offshoring of patent drafting continue to bring in new, lucrative legal work? Or will the firm be forced to move higher-level, existing work to New Delhi or Bangalore to compete with other American law firms? Graduate professionals there, raised in English under a Western system of law, typically earn $16,000 a year, which is enough for them to buy imported goods and hire domestic help.

``That's the disconcerting thing,'' Cantor said. ``I don't have an answer to that.''

It's a personal question for him. He'd like to know that there's a place in his chosen field if one of his four sons decides someday to follow his path.

Nobody has the answer. Neither he nor several other experts knew of any examples of law firms further along in this niche than Cantor Colburn.

One international consulting firm, Evalueserve Inc., performs business research and intellectual property services with a staff of 280 in India, near Delhi. Evalueserve wrote several hundred patent applications last year, most of them for U.S. filing, said its chief executive, Marc Vollenweider, who is based in Austria.

Evalueserve, whose sales director, David Cooley, is based in Connecticut, started the patent work in late 2000. In contrast to Cantor Colburn, which is using patent agents in India to bolster its U.S. law business, Evalueserve is in India trying to become a ``factory for patent-writing,'' Vollenweider said, and, more important, to combine that with analysis to help clients plot strategy.

For either business model, Vollenweider doesn't foresee a stampede of patent work to the Subcontinent.

``It is a relatively complex exercise,'' he said. ``It's not a seamless global

operation."

No, but it's getting more seamless by the week.

Five years ago David Rodrigues, a native of India, joined Cantor Colburn as a patent agent. A U.S. citizen with an undergraduate degree from India and a doctorate from Virginia Tech, Rodrigues quickly suggested to Cantor that the firm set up a joint venture in India. The idea seemed farfetched at the time.

But two years ago, a very large client asked Cantor Colburn to help write patent applications out of Bangalore, and to help train patent agents in that southern Indian hotbed of technology.

``A light went on in our heads, and we said, `My God, that's a new business model,' " Cantor said.

The flash also hit them that the firm could lose the work if it didn't act. They hired a technology licensing expert to advise them on what work they would be allowed to send to India, and they created a joint venture with a firm in New Delhi, Lall & Sethi. For several months, in Bloomfield, they trained three people from India -- two from the client, one of their own, who trained three associates when she returned home.

``If it's successful, I think it could be large," Cantor said of the New Delhi joint venture. ``I think it could be 20, 30, 40 people."

Perhaps Rodrigues, as a patent agent in the Bloomfield office, should be nervous about seeing his work migrate to the nation from whence he came.

On the contrary, he said, ``I've always been very flexible with my skills." That's an understatement. His doctorate is in plastics, he has worked in metals, ceramics and semiconductors, and now he's in his second year at UConn law school -- while living in Massachusetts with his wife and a toddler.

But what of the less ambitious professionals? Speaking generally about the flow of professional work elsewhere, Rodrigues said, ``If America doesn't handle this whole transition properly . . . we stand to lose completely."

We know from history that America has replaced generation after generation of jobs lost to automation and lower-cost sourcing, from farmers to aerospace welders. That's no solace to the workers who lose their way of life, but it's true. Why should it be different this time?

Offshoring of services has accounted for only about 10 percent of the U.S.

jobs lost since 2000, and it has added wealth here. Most forecasts say it will remain a small percentage of the U.S. labor market. It will also add to prosperity by creating new consumer classes elsewhere.

Offshoring is like asphalt. It isn't good or bad. It's simply used well in some places, abused in others, changing the face of the world as it spreads.

Cantor Colburn may be a leader in this little corner of the new U.S.-India connection, but he's no more able to stop it than any of us.

``We were asked to help," he said. ``Now we're pursuing it because, unfortunately, if we don't do it some other patent firms will, and then we'll lose that market. We really have no choice but to pursue it."

A discussion of this story with Courant Staff Writer Dan ***Haar*** is scheduled to be shown on New England Cable News each half-hour Monday between 9 a.m. and noon. Send e-mail to: dhaar@courant.com.