

Chapter 4

***Counterfeit Economy***



# Article Summaries

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## I. THE GLOBAL COUNTERFEIT ECONOMY

**MacInnis, Laura, “China, Russia Called Lax on Piracy,” *Toronto Star*, January 1, 2007, p. D6.**

According to a new report from Business Action to Stop Counterfeiting and Piracy, a group whose members include EMI, General Electric, and Microsoft, China and Russia are the world’s worst countries with regard to counterfeiting and business piracy. The report also indicated that more than two-thirds of all of the counterfeit goods seized each year throughout the European Union come from China.

Figures provided by the United Nation’s World Intellectual Property Organization reveal that counterfeiting and piracy across the globe result in more than \$100 billion in lost profits for businesses and multinational corporations. The range of common counterfeit goods includes batteries, cosmetics, food items, medicines, movies, music, and toys. Counterfeit versions of branded luxury items are also bought and sold on a regular basis.

**Tejedor, Chrystian, “Woman Accused of Selling Knock-Off Goods in Garage,” *Sun-Sentinel*, March 15, 2007, online edition.**

A 62-year-old Miami woman has been arrested for selling counterfeit jewelry and purses out of her home. A man believed to be her supplier of such goods was also taken into custody. If found guilty, both individuals face up to five years in prison for vending goods with counterfeit trademarks.

Sheriff’s deputies searched the woman’s home and found more than \$1 million worth of counterfeit Louis Vuitton purses, faux Tiffany jewelry, and fake designer watches. The woman estimates that she has earned approximately \$500,000 over the past five years that she has been selling such merchandise. What is particularly noteworthy about this case is the degree to which she has, over the past few years, converted her two-car garage and laundry room into an attractive store. According to authorities, she has even used mulch to create a special parking area in the front of her home for customers.

**Haidar, Lara, “Customs to Stop Counterfeits,” *Managing Intellectual Property*, April 2007, p. 161.**

Dubai’s ports serve as major hubs for both the importing and exporting of goods. With so many goods passing through them, it is difficult for officials to effectively inspect and monitor them. This reality substantially facilitates the transport of counterfeit goods, some of which enter the country in pieces and are later reassembled. Dubai’s Customs Office is currently working to design and implement new procedures to identify and seize a larger number and wider range of counterfeit products.

**Hendricks, David, “Column: It Takes Billions,” *San Antonio Express-News*, April 15, 2007, online edition.**

To effectively fight counterfeit merchandise, companies would need to spend billions of dollars. Even the resources of Microsoft Corporation are not enough to prevent the sale of knock-off versions of their products. Today, counterfeiters have become Microsoft’s leading competitor. In fact, three out of every ten Microsoft software products that are purchased worldwide are not authentic.

Microsoft does a good deal to prevent product piracy, including employing a large team of counterfeit specialists — called the Worldwide Anti-Piracy Team — to foil the efforts of counterfeiters. Many other companies, however, do not have access to the same level of resources that Microsoft does, which means they typically end up doing far less to put an end to the efforts of counterfeiters.

**-----, “Two More Guilty in Counterfeit-Nike Scheme,” *Arizona Daily Star*, June 1, 2007, online edition.**

Two additional defendants have pleaded guilty to federal charges as a result of their participation in the smuggling of \$69 million worth (or more than 135,000 pairs) of counterfeit Nike footwear into the United States. They and four other men are believed to have successfully operated one of the largest counterfeit-merchandise-smuggling operations in U.S. history. The men will be sentenced later this summer.

**Balfour, Frederik, “A Buyer’s Guide to Bogus Goods,” *Business Week*, June 11, 2007, p. 12.**

Despite attempted crackdowns on bogus goods and the implementation of various new anti-piracy technologies, the black market for counterfeit merchandise in China continues to do a wonderful business. Both visitors and natives regularly take advantage of the widespread availability of pirated and fake products.

The following counterfeit goods were all found recently for sale in Shanghai market stalls. Knock-off copies of the *Spider-Man 3* DVD were selling for 64 cents each. Counterfeit copies of Microsoft Vista software were selling for \$1. Counterfeit Montblanc pens were selling for \$3.50. Counterfeit Ray-Ban sunglasses were selling for \$10. Counterfeit Prada handbags were selling for \$22.



**Mooney, John, “Fake Goods Swamp Irish Markets,” *The Sunday Times*, June 17, 2007, p. 5.**

Sellers of counterfeit goods in Irish markets are thriving. Shoppers there continually purchase counterfeit designer CDs, DVDs, clothing items, perfumes, medicines, and various other items each year. A recent investigation revealed that thousands of counterfeit goods are sold every weekend in various open-air markets. Counterfeiters regularly earn millions of dollars, so they are not especially concerned about the small fines that attempt to deter the process of counterfeiting. Experts say that Ireland’s counterfeit economy is spiraling out of control.

“We are raiding some of these markets every week, but we simply cannot stop what’s going on,” explained Brian Finnegan, who is employed to help prevent piracy within the film industry. “We have come to the conclusion that the trade in pirated DVDs is almost as big as the legitimate industry.”

**Marlow, Iain, “Dangerous Fake Goods Cross Border Unchallenged,” *Toronto Star*, July 2, 2007, p. A1.**

Approximately two-thirds of counterfeit products that cross the border into Canada come from China. They include batteries, chainsaws, pharmaceuticals, purses, toothpaste, and t-shirts. They enter the country rather easily because fewer than 3 percent of incoming shipments are typically searched by representatives of the Canada Border Services Agency. Some of them are quite dangerous, such as leaky batteries that have been known to burn children or bogus extension cords that catch fire in just minutes.

In comparison to many other countries, Canada’s anti-counterfeit measures tend to be relatively lax. Even developing countries such as Kenya, Serbia, and Vietnam have stronger policies and procedures in place that enable Customs agents to more regularly seize and destroy counterfeit goods. Not all such goods arriving in Canada come from China, however. Counterfeit drugs arrive regularly from India, counterfeit watches arrive regularly from Italy, and counterfeit vodka arrives regularly from Russia.

**Morra, Bernadette, “I Spy Counterfeits,” *Toronto Star*, July 13, 2007, p. L4.**

At the Charles de Gaulle Airport in Paris, huge signs near the taxi stand warn travelers that they will be prosecuted if caught with counterfeit goods. It is clear that France is taking the problem of the counterfeit economy quite seriously. Experts say this is a good thing, as global trading in counterfeit merchandise has become a \$600 billion a year industry. Approximately \$20 billion to \$30 billion of such sales occur in Canada each year.

Recent poll findings from the Canadian Anti-Counterfeiting Network reveal that Canadians are three times more likely than Americans to purchase counterfeit items. Forty-one percent of the Canadian respondents admitted to having purchased counterfeit clothing items. Twenty-eight percent admitted to having purchased counterfeit watches. Twenty-five percent admitted to having purchased counterfeit sunglasses. Twenty percent admitted to having purchased counterfeit movies.

According to Lorne Lipkus, who chairs the Canadian Anti-Counterfeiting Network’s education and training committee, people may begin to reduce their willingness to purchase counterfeit goods once they realize that although fake Nikes and fake extension cords are made in separate Chinese factories all of those factories are typically either owned or protected by the exact same criminal groups. That means when someone chooses to purchase a counterfeit watch or purse he or she is indirectly funding the same individuals and networks that produce and sell counterfeit drugs containing no active ingredients at all.

**Fishman, Ted, “Hidden Culprit of Product Scandal Made in China,” *USA Today*, August 2, 2007, p. 11A.**

In China, efforts to reduce the sale of counterfeit goods have not been very successful. For example, last year Chinese officials ordered the bulldozing of a large market in Shanghai that was well known for selling knockoffs in response to international pressure to combat counterfeiting. Shortly thereafter, the market’s sellers of fake clothing items, handbags, jewelry, and designer watches set up shop in a more appealing location near Shanghai’s science museum. Some of their customers are willing to pay up to \$125 for bogus watches for which they should be paying no more than \$12.50.

China’s under-regulated economy makes the counterfeit trade quite efficient and popular. However, in recent months, residents of the United States and other countries have been learning a great deal about unsafe or even deadly products — counterfeit or otherwise — being exported from China. These have included faulty car tires, combustible computer batteries, tainted dog food, poisoned toothpaste, and children’s toys made with lead paint.



-----, **“Your Anti-Counterfeiting Guide to Eastern Europe,”** *Managing Intellectual Property*, September 2007, p. 77.

In 2006, Lithuanian Customs authorities seized 79 shipments of counterfeit goods, up from 47 seizures the previous year. That same year, Romania found itself ranked in second place in eastern and central Europe with regard to the total number of counterfeit goods that were seized by its Customs authorities, behind Greece in the number one spot.

In Lithuania, the most common types of counterfeit goods include CDs, DVDs, cigarettes, clothing items, footwear, and luxury goods. In Romania, items from major sports brands such as Adidas, Nike, and Puma are most typically counterfeited. Audio/visual products and software are popular counterfeit items in Russia. Luxury goods, perfumes, pharmaceuticals, sportswear, alcohol, and tobacco are the big counterfeit products in Ukraine.

Experts have indicated that there are no particular associations active in anti-counterfeiting efforts in Lithuania and Romania. In contrast, Russia has at least two major associations that are dedicated to reducing counterfeiting, and Ukraine has several public organizations that specialize in intellectual-property enforcement.

-----, **“Fast Stats,”** *Women’s Wear Daily*, October 22, 2007, p. 16.

By the middle of 2007, U.S. Customs and Border Protection and U.S. Immigration and Customs Enforcement had seized shipments of counterfeit goods worth more than \$110 million during a total of 7,245 seizures. That number was up from \$45.7 million during the same period in 2006, which represented the results of 5,940 seizures.

**Macartney, Jane, “Mandelson Warns China on Fake Goods,”** *The Times*, November 27, 2007, p. 55.

Peter Mandelson, the European Union Trade Commissioner, has warned China that its country’s entire reputation is at risk if greater efforts are not undertaken immediately to reduce the number of counterfeit goods flowing into Europe’s markets. He demanded that China implement effective measures or else face the end to European patience in such matters.

“While product safety is not a problem restricted to China, it will nevertheless be central to the global perception of China’s growing weight as a manufacturer. China’s long-term success depends on its reputation,” Mandelson said. With these comments he was referring, at least in part, to the recent series of recalls of toys, toothpaste, and additional consumer items that have shaken the public’s trust in items exported from China.

**Harris, Ryan, “‘Tis the Season for Fake Goods,” *Chattanooga Times/Free Press*, December 5, 2007, online edition.**

Around the world, sales of counterfeit goods soar during the Christmas holiday season. Nevertheless, shoppers who wish to protect themselves from unintentionally purchasing counterfeit items can be cautious about where they shop. According to experts, flea markets are typically filled with sellers of counterfeit goods. In contrast, it is often safer to shop at the local mall during the holiday season, as malls and shopping centers are typically required to monitor their merchants with regard to the sale of counterfeit products.

## **II. SPORTS AND COUNTERFEIT GOODS**

**Hoag, Christina, “Don’t Get Burned by Fake Heat Items,” *The Miami Herald*, May 27, 2006, online edition.**

A good number of merchandise bootleggers are expected to be on hand this weekend to watch the Miami Heat play in the NBA Eastern Conference Finals. NBA officials are warning fans that plenty of counterfeit Miami Heat t-shirts, caps, and other items will very likely be on sale to fans on the streets surrounding the sports arena.

Sports teams in general tend to be of interest to merchandise bootleggers, and that interest increases tremendously when a popular team is encountering success. As this is the second year in a row that the Miami Heat has made it to the Eastern Conference Finals, the demand for Heat souvenirs and memorabilia has begun to soar.

For fans, the pirated goods tend to be cheaper, but they typically are of inferior quality and sometimes even contain misspelled words. In the United States last year, more than 300,000 pieces of counterfeit merchandise containing professional and college sports-team logos ended up being confiscated. Those items represented \$60 million worth of counterfeit goods.

**Flick, David, “Apparel Counterfeiters Jump on Mavs Bandwagon,” *The Dallas Morning News*, June 1, 2006, online edition.**

Now that the Dallas Mavericks have advanced to the conference finals, sales of Mavericks merchandise have increased dramatically. That’s good news for counterfeiters, who recognize a good opportunity to hawk their wares when they see one. It’s also bad news for many of the fans who buy sports-related clothing items from them as such items often are made with ink that runs or shrink three sizes when the laundry gets done.

“We’ve found these people who produce counterfeit merchandise for the World Series are the same people who produce it for the NBA playoffs. This is their life,” explained Ayala Deutsch, an intellectual-property lawyer who works for the National Basketball Association. “The revenue stream has been traced to other activities worldwide, including terrorism.”

**Stock, Sue, "Hockey Finals Increase Concern About Counterfeit Merchandise," *The News and Observer*, June 7, 2006, online edition.**

Red-and-white team merchandise is for sale everywhere in North Carolina now that the Carolina Hurricanes have made it into the Stanley Cup finals. Counterfeit Canes t-shirts are being sold for as little as five dollars each. According to an attorney for NHL Enterprises, counterfeiters are opportunists who flock to the biggest games and biggest events so that they can make a great deal of money all in one shot.

With demand for Canes merchandise now at its peak, NHL officials have begun to crack down on counterfeit goods. They caution, however, that not every person setting up a roadside stand is hawking counterfeit items. A good number of such individuals sell legitimate items and obtain proper city permits to do so.

**Wuerz, Scott, "MLB Keeps Keepsakes Real," *Belleville News-Democrat*, October 24, 2006, online edition.**

Major League Baseball officials are warning that unless they want a keepsake t-shirt that reads "St. Louis Cardinals" fans should keep an eye out for counterfeit World Series items. To help prevent the sale of such items, undercover Major League Baseball employees will be working with St. Louis police to expose and shut down bootleggers. Otherwise, they know that excited fans often shell out money for team souvenirs without carefully examining with they are buying.

During the first two games of the World Series, Major League Baseball officials and Detroit police dealt with more than a dozen individuals who were selling fake team items. In the process, they discovered that most of them were coming from outside the state. Many were part of organized counterfeiting operations.

**McGrath, Melissa, "Fiesta Bowl Combats Fake Gear," *The Idaho Statesman*, December 30, 2006, online edition.**

The Boise State University Broncos are preparing to play the Oklahoma Sooners in the Fiesta Bowl, to be held in Glendale, Arizona. Naturally, counterfeiters are expected to flock to the game to sell unauthorized hats, t-shirts, sweatshirts, and other items. Anytime a BSU Bronco fan purchases a counterfeit item, he or she takes money out of the hands of the university. That is because the university earns 8.5 percent from any authentic manufactured item that bears BSU's trademarked name or logo. BSU earned \$320,000 in royalties from such items in 2005. If all goes as planned in this Fiesta Bowl year, the university expects to earn approximately \$400,000 by the end of 2006.

When it comes to purchasing authentic licensed items pertaining to colleges and universities, buyers should always look for the Officially Licensed Collegiate Products label somewhere on the item. Also, if a school logo is presented in a distasteful manner or as part of a distasteful design, buyers should automatically conclude that the item they are looking at is counterfeit.

**Knightly, Arnold, "NBA is on the Case," *Las Vegas Business Press*, January 15, 2007, p. 1.**

Prior to the National Basketball Association's All-Star Game next month in Las Vegas, NBA officials are planning to supply hotels all across the city with All-Star Game merchandise. They also intend to set up as many as 30 kiosks throughout Las Vegas to sell official All-Star Game clothing items and souvenirs. To help ensure that fans buy authentic items rather than counterfeits, the NBA will have officials wandering the city searching for counterfeit merchandise. Typically, such folks target "hot spots" near where a big sporting event is to be held. Because the NBA realizes that the entire city of Las Vegas is one big hot spot, a large number of knockoff seekers will be required.

The NBA says that their goal is not to take every possible dollar from the consumer to the league. Instead, its argument is that it wishes to protect its brand and the league's reputation with fans. By cracking down on counterfeits, the NBA hopes to ensure that a positive experience is had by all. "We don't want a fan buying a t-shirt that, when they put it in the wash, the colors run (and) it shrinks three sizes, because that reflects negatively on us," said Matt Bourne, the NBA's senior director of marketing communications.

**-----, "Horry Resident Accused of Online Counterfeit Team-Merchandise Scheme," *The Sun News*, January 24, 2007, online edition.**

A 30-year-old man has been arrested for selling thousands of dollars worth of counterfeit sports merchandise. Working together, local police officials and the South Carolina Secretary of State discovered that he was using the online auction site eBay to sell counterfeit items featuring logos of Major League Baseball teams, the National Basketball Association, and the National Football League. Police officials have not revealed information about the specific kinds of items the man was selling.

**Franko, Kantele, "San Francisco: All-Star Glitter Attracts Fake Mementos," *San Francisco Chronicle*, June 29, 2007, p. B3.**

Outside baseball's All-Star Game, San Francisco law-enforcement officials will be searching the streets, seeking out vendors who are selling counterfeit merchandise to make a quick bootleg buck. Dozens of undercover agents will be cracking down on counterfeiting around the ballpark and at local flea markets. They know that baseball caps and t-shirts are the most common counterfeit items, but they will also be keeping an eye out for fraudulent baseball cards, DVDs, and other products.

**Olson, Bradley, "Man Arrested in Fake-Goods Case: Charges Pending Against Two Store Owners Over Counterfeit Jerseys, Merchandise, Police Say," *The Baltimore Sun*, July 6, 2007, online edition.**

A private investigator hired by the National Football League led police to two different stores where counterfeit sports items were being sold. More than \$30,000 worth of merchandise was seized. Most of the confiscated items were counterfeit jerseys of professional baseball and football teams. Many of the phony shirts had been legitimately autographed by well-known players.

### **III. EFFECTS OF THE COUNTERFEIT ECONOMY**

**Hirsch, Steve, “Counterfeit Seizures Rise 83%,” *The Washington Times*, January 29, 2007, p. C12.**

In 2006, the U.S. government increased seizures of counterfeit merchandise by 83 percent over the previous year. That is good news for many kinds of people, as counterfeit goods not only harm U.S. manufacturers but also frequently represent a safety threat to consumers and their children. Although people talk all the time about the importance of protecting U.S. jobs, every time someone purchases a counterfeit item they take jobs away from American workers.

**Landers, Jim, “Counterfeits are Real Threats to Our Safety,” *The Dallas Morning News*, February 20, 2007, online edition.**

What’s so bad about buying “Rolex watches” that are not made by Rolex or “Chanel handbags” that are not made by Chanel? People who do so tend to think their actions are not hurting anyone, and in those instances they may or may not be right. However, there is simply no denying that other types of counterfeit items end up killing people on an all-too-frequent basis.

According to the World Health Organization, approximately 10 percent of pharmaceuticals sold worldwide are fakes. Some pharmaceutical manufacturers expect that figure to double over the next five years, to the extent that approximately one out of every five people will end up consuming them. These items range from faux Lipitor to phony birth-control pills.

In 2001, nearly 200,000 people in China alone died after using counterfeit pharmaceuticals. That same year, eight additional people died because counterfeit brakes had been installed on a bus. Increasingly today, airlines unknowingly purchase counterfeit spare parts and supermarkets unwittingly purchase counterfeit foodstuffs. Counterfeit supplies of prescription drugs also continue to be supplied to local drugstores.

**Tiplady, Rachel, “Stop Faking It,” *Business Week Online*, March 30, 2007, p. 7.**

Germany’s Museum Plagiarius exists to spread the following message: “Plagiarism kills innovation.” Its founders have established a new museum showcasing counterfeit goods with the goal of reminding visitors how socially harmful knockoff items actually are. Located in the city of Solingen (near Cologne), the museum contains more than 300 counterfeit items that unscrupulous companies have churned out in recent years to make a quick buck. Although nobody expects that it can solve the problems posed by the global counterfeit economy, the museum’s founders hope that it will serve as a powerful reminder of how much more could be accomplished with regard to the creation of innovative new products if inferior rip-offs no longer existed.

-----, **“Fake Goods Hamper Manufacturing Market Health; Call for Criminalization Imminent,”** *Manufacturing Business Technology*, May 2007, p. 11.

The harmful effects of counterfeit-goods trafficking are substantial ones. Consider the following statistics. The World Health Organization believes that 10 percent of the world’s pharmaceuticals today are fake. The Federal Trade Commission estimates that counterfeit spare auto parts, including fake brake pads, represent a \$12 billion global market. The Federal Aviation Authority estimates that 2 percent of the replacement parts installed each year on airplanes are counterfeit. All of these counterfeit items can kill, which makes the trends they acknowledge all the more alarming.

**Tella, Alfred, “High Price of Shoddy Goods,”** *The Washington Times*, May 16, 2007, p. A16.

Counterfeit products hurt all sorts of businesses. They typically hurt small businesses the most. Their existence ends up cheating consumers and leads to the unemployment, or at the very least underemployment, of workers. Many also pose substantial risks to public health and safety.

Even when they are sold at much lower prices than their authentic counterparts, consumers frequently end up paying more money than the counterfeit items are actually worth. That reality is all the more unfortunate for consumers who have no idea that they are paying good money to obtain fake items in the first place. Counterfeit items are sold frequently over the Internet and they are becoming increasingly common in various stores. They are often involved as important components of money-laundering schemes and sometimes involved as a funding means for terrorists.

-----, **“Poor Suffer,”** *The Times*, June 5, 2007, p. 45.

In many areas across the globe, the illegal activity of selling counterfeit merchandise enables individuals with lesser advantages to purchase (fake) luxury goods at prices they can afford. In some parts of the world, it is not only Nike shoes that are fake but also some luxury cars. Poorly designed counterfeit cars, unfortunately, can malfunction and cause their drivers to crash. They also sometimes force legitimate vehicle manufacturers to reduce the prices they charge, which substantially reduces their profit margins on the sales of new cars. Without question, piracy in all of its forms represents a substantial and fundamental threat to all market economies. All too frequently, it is the poor who end up as the greatest victims of counterfeiting crimes.



**Valentine, Matthew, "Keeping It Real," *In-Store*, August 2007, p. 9.**

The market for counterfeit merchandise in Great Britain is thriving. According to recently released statistics, the average consumer in Great Britain has already spent 10 percent more on phony goods this year than last. In addition, nearly 70 percent of consumers in Great Britain have stated that they are happy to buy and wear counterfeit items. Nearly 30 percent revealed that they were duped into buying counterfeit goods that they believed to be real.

Although it has been said that imitation is the sincerest form of flattery, the widespread availability of counterfeit goods endangers both the reputation and sales performance of established commercial brands. Designer fashion items in Great Britain tend to be counterfeited the most. This hurts both brand owners and retailers alike because it reduces the perceived exclusivity of the prestigious items they sell.

The past decade unveiled a new major threat to designer brands: the Internet. Numerous World Wide Web sites display images of authentic products to online shoppers and then ship counterfeit versions to them once they have paid. Online auction sites, well-known sources of counterfeit-merchandise sales, are similarly problematic in this regard. Experts fear that recent improvements in the quality of counterfeited goods, whether purchased online or elsewhere, will begin to make consumers wonder whether their genuine versions are actually worth the amount of money they sell for.

**Funston, Mike, "Standards Sham is Risky Business," *Toronto Star*, October 27, 2007, p. R2.**

While visiting the resort town of Phuket, Thailand last year, a British couple bought what they believed to be an authentic charger for their 7-year-old son's Nintendo Game Boy. After giving it to him, they returned home one day and found him dead. While playing, he was electrocuted by what turned out to be a counterfeit charger. The boy was still clutching the charger in his hand when his dead body was found.

A growing range of counterfeit products potentially endanger people's lives. "We've seen problems with such things as safety boots, safety wear, hockey helmets, electrical extension cords, and circuit breakers," said Doug Geralde, chair of the Canadian Anti-Counterfeiting Network. "We're teaching the public to be aware of the problem and using the media to get the message out."

-----, **“The True Cost: Illegal Knockoffs of Name-Brand Products Do Widespread Harm,”** *The Columbus Dispatch*, December 2, 2007, online edition.

The global counterfeit economy is so profitable that it will likely never be eliminated. Nevertheless, governments need to continue to work to reduce the volume of counterfeit goods that get sold because their existence does widespread harm. Many people do not realize that crime syndicates are the source of much of the counterfeit trade. That means every dollar people spend on knockoff goods may be going to support child labor, drug trafficking, and activities that are even far worse.

The counterfeit economy causes governments around the world to lose out on millions of tax dollars they would otherwise receive. Companies throughout the world lose out on \$600 billion of sales each year that they would otherwise enjoy, which also reduces the number of jobs that would likely otherwise exist. In addition, when counterfeit items fail to work properly, individuals who have unwittingly purchased them react quite negatively, which endangers the reputations of legitimate brands.

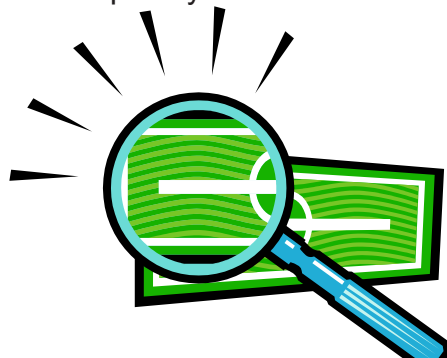
#### **IV. COUNTERING COUNTERFEIT GOODS**

**Blum, Vanessa, “Two Get Prison Terms in Sale of Fake Goods,”** *Sun-Sentinel*, April 29, 2006, online edition.

One approach to discouraging the sale of counterfeit goods is to establish serious penalties for those found guilty of engaging in such activity. That is the approach being taken by a federal judge, who recently sentenced two Chinese nationals for conspiring to import and sell fake merchandise. A 29-year-old man was sentenced to serve a bit more than three years in prison for selling counterfeit Gucci bags, Nike caps, Rolex watches, and other items at two locations: a Miami warehouse and a local flea market. His 29-year-old female companion was sentenced to serve two-and-a-half years in prison for the same offenses. When they were arrested in December 2005, the pair had more than \$3 million worth of counterfeit items in their possession.

**Fung, Amanda, “Supersnoop,”** *Crain’s New York Business*, May 29, 2006, p. 35.

Sixty-two-year-old Skipp Porteous runs the Great Barrington, Massachusetts-based private detective firm Sherlock Investigations Inc. He charges between \$195 and \$350 an hour for his various services. Clients sometimes hire him to prove that their spouses are cheating or to find bugs that have been planted in offices. He is often frequently hired to search out sellers of counterfeit goods over the Internet.



**Garber, Paul, "Three at Mall Facing Counterfeiting Charges," *Winston-Salem Journal*, December 11, 2006, online edition.**

After receiving a tip that counterfeit goods were being sold at a kiosk at Hanes Mall, Winston-Salem, police seized a variety of fake items valued at more than \$52,000. The items included belt buckles, handbags, jewelry, and license plates. Three people have been charged with counterfeiting offenses.

According to Police Sergeant Fred Delli Santo, who has been working on Winston-Salem's counterfeit task force for nearly a year, most of the individuals he has charged with counterfeiting in recent months have been street vendors. However, he said he is not entirely surprised that the ongoing search for counterfeit goods led him and his associates to a shopping mall.

**McGlone, Tim, "Corporation Fined \$10,000 for Selling Counterfeit Shoes Locally," *The Virginian-Pilot*, March 1, 2007, online edition.**

Large fines may help to reduce the prevalence of counterfeit-good sales. A corporation that owns a store in Norfolk, Virginia, has been fined \$10,000 for selling counterfeit running shoes. More than six hundred pairs of counterfeit Nikes were seized last fall by federal agents. The corporation's owner pleaded guilty of the charges against his company.

**Leinwand, Donna, "Enforcement Boost Doubles Seizures of Counterfeit Items," *USA Today*, January 12, 2007, p. 3A.**

Increased efforts to detect and seize counterfeit goods by U.S. Customs agents appear to be paying off. The number of federal seizures of fake items nearly doubled in 2006 from the previous year. Imitations of name-brand shoes accounted for more than 40 percent of the 2006 counterfeit-merchandise seizures. Ralph Basham, commissioner of U.S. Customs and Border Protection, said that although this noteworthy accomplishment has put just a small dent in counterfeit-merchandise trafficking overall, his agency is working continually to improve its investigative methods and tools.

**Grala, Alyson, "Countering Counterfeits," *License! Global*, June 2007, p. 208.**

An array of authentication options already exist for companies that wish to make it harder for counterfeiters to copy their products. They include advanced anti-counterfeit labels, hangtags, hot stamping foils, and MicroThread woven solutions that are quite difficult for counterfeiters to duplicate. Higher-end products can also make use of state-of-the-art track-and-trace technologies that include numerical codes on authentic products and enable a database to track and trace their movements across the globe.

**Spence, Mac, "Ingenious Measures and a Setback in Kenya," *Managing Intellectual Property*, June 2007, p. 74.**

To help combat counterfeiting, the government of Kenya published its Counterfeit Goods Bill in 2005. If approved later this year, it will authorize a specialized agency to provide swift and effective action in response to counterfeiting instances that are discovered. Government officials initially hoped that the bill would make its way through Parliament more quickly, but lengthy Parliamentary recesses in recent months have prevented that from occurring.

**Wolfe, Daniel, "Security Tricks," *American Banker*, June 20, 2007, p. 5.**

The popular online auction company eBay Inc. is pleased with its renewed anti-counterfeit efforts which, in recent months, have resulted in a 60 percent reduction in complaints from companies that have spotted counterfeit items on the company's site. One of the approaches the company has followed to reduce the sale of counterfeit merchandise on its site has been to place restrictions on certain product categories, such as clothing, that are known to be popular among counterfeiters.

**Tressler, Jonathan, "Beachwear Store Raids Find Counterfeit Goods," *The Sun News*, June 22, 2007, online edition.**

A series of raids on beachwear shops located on North Ocean Boulevard in Myrtle Beach, South Carolina, have left four men facing charges. In the process, state investigators and Myrtle Beach police ended up shutting down five of the shops that were raided. Counterfeit items valued at nearly \$525,000 were seized in the raids. They included counterfeit handbags, hats, jewelry, sunglasses, and watches that misrepresented the brand names of Burberry, Chanel, Christian Dior, Coach, Dolce and Gabbana, Gucci, and other companies.

**-----, "U.S. Seeks WTO Panel in Dispute with China," *CongressDaily*, August 13, 2007, p. 7.**

U.S. trade officials have requested that the World Trade Organization step in to resolve their dispute with China over intellectual property rights. Through a series of formal consultations over the past three months, the United States and China have attempted to come to an agreement about how intellectual property rights can be protected more effectively in China.

Because no viable solutions have resulted from those conversations, U.S. trade officials are asking that the World Trade Organization establish a special panel to resolve the dispute. Specifically, the United States objects to China's continued use of numerical thresholds that must be exceeded before prosecutions pertaining to copyright and trademark piracy are able to proceed.

**LaGrone, Sam, "Nintendo Cracks Down," *The News and Observer*, August 24, 2007, online edition.**

Last month Nintendo assisted Mexican authorities in carrying out a raid in Guadalajara that led to the seizure of counterfeit Nintendo products from nearly two dozen stores. Last week, Mexican authorities conducted a series of additional raids involving a dozen sellers that resulted in the seizure of 15,000 fake Nintendo products. Among them were more than 4,000 counterfeit game discs for the Nintendo Wii system. Many of the items were being sold in a Guadalajara "fayuca," which translates as "black market."

Some say that Nintendo's tough stance against counterfeiters resembles Mario turning into "Dog the Bounty Hunter." The company's Mexican adventures with counterfeit goods represent its renewed commitment to tracking down counterfeit software and putting an end to counterfeit game systems.

**-----, "When it Sounds Too Good to be True, Just Say 'No,'" *The Macon Telegraph*, September 4, 2007, online edition.**

From the standpoint of a potential customer, one of the most effective ways to combat the sale of counterfeit merchandise is to just say "no." Rather than contributing further to the global counterfeit economy by purchasing product knockoffs that deprive legitimate companies of sales, a buyer can simply choose not to buy any item that is not authentic.

The time is now to begin reversing the widely shared belief that there is no social stigma associated with the purchasing of counterfeit goods. Efforts must also be devoted to convincing people once again, as in the past, that it is really not acceptable to use or wear something just as long as it looks like the real thing. Anyone who takes the time to think about the wide range of negative effects caused by the world's counterfeit economy will find more than enough reasons to just say "no" when someone offers a great deal on a product that is actually a bad and inferior imitation.

**Lee, Henry, "Prison for Man in Fake Designer Bags Scam," *San Francisco Chronicle*, September 5, 2007, p. N1.**

Two men who conspired to sell counterfeit designer handbags on eBay and at a Bay Area store have been sentenced for their actions. A 45-year-old man was sentenced to 18 months in prison after admitting to laundering more than \$210,000. His 28-year-old nephew was sentenced to five years probation for conspiracy. In addition, the nephew's mother is scheduled to be sentenced in December after pleading guilty to mail fraud, wire fraud, and counterfeit-goods trafficking. Working together, the three auctioned off on eBay what they claimed to be Christian Dior, Fendi, Gucci, and Prada handbags and sold the same kinds of counterfeit bags at a store based in Richmond, California.

**Suermann, Megan, "Ex-Supreme Backs Bill Aimed at Phony Goods," *The Philadelphia Daily News*, September 13, 2007, online edition.**

Mary Wilson, a founding member of the successful 1960s female singing group the Supremes, testified in Philadelphia City Hall about the extreme harm that counterfeiting does to the music and entertainment industries. In doing so, she was expressing her support of a proposed bill that will provide stricter penalties for individuals who are found guilty of engaging in counterfeit-product trafficking.

"We cannot continue believing counterfeit products are harmless," said Pennsylvania State Representative Rosita Youngblood, who introduced the new anti-counterfeiting bill. Singer Wilson echoed that sentiment when she expressed that counterfeit-goods sellers "trade on the goodwill of those legitimate businesses and subvert our trust by passing off their shoddy, and often dangerous, imitations as the real thing.

**Rojas-Burke, Joe, "Small Firms Will Get Ideas to Fight Piracy," *The Oregonian*, September 14, 2007, online edition.**

To help businesses better protect themselves from piracy threats, government and business leaders are hosting a free educational forum in Portland today. The government experts will explain the range of federal resources that exist to help businesses to reduce incidents of counterfeiting. Industry experts from Adidas, Columbia Sportswear, and Nike will share strategies that they have found to be effective in preventing overseas theft of their companies' intellectual property.

According to the U.S. Chamber of Commerce, theft of intellectual property from U.S. businesses results in the loss of \$200 billion of income and approximately 750,000 fewer jobs each year. Small business owners particularly lack the knowledge and resources to protect their products and prevent them from being counterfeited, especially overseas. For example, a recent federal survey revealed that only 15 percent of small businesses know that a U.S. patent or trademark does not provide protection outside of the United States.

**Kennedy, Sara, "Like Father, Like Son," *The Bradenton Herald*, September 30, 2007, online edition.**

For his work as a U.S. Customs and Border Protection officer, William Gates carries with him a gun, a flashlight, handcuffs, a baton, and a portable radiation detector. Over the past 18 years, he has conducted numerous searches of shipments arriving at Sarasota Bradenton International Airport looking for drugs, weapons, and explosives as well as counterfeit merchandise including fake designer handbags.

Gates is a second-generation U.S. Customs officer. His father, Henry Gates, retired from such service in 1994. The younger Gates says he enjoys serving his country in this important way. He believes it is very important to help keep undesirable items from entering into the United States.

-----, **“Mercer Home Arrest, Fine Set for Convicted Counterfeiter,”** *Pittsburgh Tribune Review*, August 19, 2007, online edition.

A federal judge has sentenced an Indianapolis man to house arrest and probation as a result of counterfeit-goods trafficking. The man, convicted of trademark counterfeiting, was found to be transporting fake Louis Vuitton purses during an Interstate 80 traffic stop back in July 2005. He is now expected to spend six months in house arrest, where his movements will be tracked by electronic monitoring. In addition, he was sentenced to three years of probation and ordered to pay \$2,600 in restitution to the French fashion company whose purses had been counterfeited.

**Irish, Paul, “Merchants Turn a Blind Eye to Bogus Goods,”** *Toronto Star*, October 27, 2007, p. R4.

Lorne Lipkus is a Toronto-based lawyer who regularly represents victims of counterfeiting. He does so because he realizes that many stores, especially smaller ones, are unable to compete with the extremely low prices charged for inferior fake items. In a recent case, two small clothing stores were operating in the same shopping mall. One store was selling authentic versions of designer pants for \$100. The other store was selling counterfeit versions of the same pants for \$65.

“If you can believe it, people who bought the real pants were coming back to exchange them after walking by the counterfeits in the other store,” Lipkus explained. “They were calling the merchant who was selling the real pants a crook because they thought the price was too high.” In that instance, Lipkus represented the store that was selling authentic items in an effort to halt the sale of the bogus goods. “Finally, things started to turn around for the guy in the legitimate store...once the unfair competition was gone,” he said.

**Casabona, Liza, “Joint Efforts Key to Tackling Counterfeits,”** *Women’s Wear Daily*, November 12, 2007, p. 19.

The establishment of effective partnerships between government agencies and industry are essential in the fight against counterfeit imports entering U.S. borders. According to officials with U.S. Customs and Border Protection of the Department of Homeland Security, the government needs industry assistance and support in its efforts to stem the tide of bogus goods. For example, apparel companies need to create special training programs to help Customs officers identify counterfeit clothing items since the companies themselves are in the best position to teach others how to spot fakes.



**Casabona, Liza, “Tiffany-eBay Trial Tests Online Retail Liability,” *Women’s Wear Daily*, November 14, 2007, p. 2.**

Is eBay liable when counterfeit merchandise is sold through its online auction Web site? That is the question that the long-anticipated trial between Tiffany & Co. and eBay, which began in Manhattan federal court this week, is seeking to answer. In 2004 Tiffany & Co. filed a lawsuit against eBay, charging the online site with legal offenses including direct and contributory trademark infringement. The outcome of the trial, once decided, is expected to have a wide-ranging impact with regard to an online seller’s responsibilities when it comes to the policing of counterfeit items.

**Casabona, Liza, “Busting Counterfeits: Feds Crack Major Ring, Seize \$200M in Fakes,” *Women’s Wear Daily*, December 6, 2007, p. 1.**

Federal officials in New York have broken up what is believed to be one of largest counterfeit smuggling rings for apparel, shoes, and accessories ever in U.S. history. In the process they seized \$200 million worth of counterfeit items falsely bearing the labels of Baby Phat, Burberry, Chanel, Nike, and Polo Ralph Lauren. The busts were the end result of a twelve-month investigation that included the efforts of at least one undercover agent. They demonstrate the success of recent stepped-up efforts by federal and local law-enforcement officials to stem the tide of counterfeit merchandise.

