

# Counterfeiting Confidential



The Newsletter for Members of the ICC Counterfeiting Intelligence Bureau

May 2009

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## Bad times are boom times for counterfeiting and Italian organised crime

Money made from counterfeiting and other illegal activities is providing Italy's organised crime gangs with the liquidity they need to invest in property and the credit markets, as well as extending their influence by way of making loans to cash-starved businesses.

Recent press reports say that the country's organised crime syndicates have been buying-up petrol stations, muscling in on supermarket franchises, taking over trattorias and acquiring buildings in up-market neighbourhoods in Rome and Milan. In fact, say observers, their experience in preying on the vulnerable has never been so useful and lucrative.

For mob bosses, the global economic meltdown "is only an advantage," says anti-mafia prosecutor Franco Roberti, whose office is in Naples at the heart of the criminal enterprise. The gangs' drive to grab chunks of legitimate business is paying off big time in the current financial crisis. They make their money mostly in the south of the country but invest it in legal activities in the north. If they did this in the largely undeveloped south they would stand out, but in the north they just blend in.

In an operation code-named "Easy Money," police this year seized a hotel in the exclusive Tuscan sea resort of Punta Ala, as well as a supermarket, two Ferraris, a gas station in the wealthy northern Reggio Emilia region and other properties, altogether totalling Euro 30 million (about \$40 million). All were believed to be owned by the Italian crime syndicates that last year were estimated to have collectively earned Euro 130 billion (\$167bn), or about 8% of the country's GDP.

### Stepping up counterfeiting

Much of this money came from drug trafficking and loansharking, but increasing profits are being made from counterfeits (see page 3) and there is a new fear that as unemployment grows and the credit crunch bites, the gangs will tighten their grip around vast swathes of the nation's business sector and tourism. SOS Impresa, an Italian business lobby dedicated to fighting organised crime, estimated in a report late last year that the

Camorra has "multiplied by 10, 100, perhaps 1000 times, its penetration of the economic and social fabric."

Intelligence services predict that the gangs will step up production of counterfeit name-brand goods to take advantage of consumers' apparent growing appetite for fake designer items as times get tough. In fact, the Eurispes think tank estimated this growing business earned Italian organised crime Euro 6.3 billion (\$8.5 billion) last year.

At the same time, Mr Roberti says the Camorra has pumped up what once was a kind of cottage industry, with crime bosses knitting closer ties with their counterparts in China, where fake designer clothing, shoes and accessories are now churned out to order in factories for the Mafia.

Trafficking in fake designer goods, which investigators suspect the Camorra is also now peddling in the United States, France, Britain and Germany, is becoming more profitable for the Neapolitan syndicate than dealing in cocaine and hashish, said one official. He calculates that for every Euro it costs to manufacture the counterfeit designer goods, the Camorra earns 10 Euros, while for every Euro spent to run drug trafficking, it earns six or seven Euros. You can see the attraction!

The fakes, sold in street stalls and clothing shops in the Naples and Rome areas, arrive by the tons in Naples' sprawling, chaotic port, where custom officials manage to check only 5% of the shipping containers being unloaded.

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## Counterfeiting and KYC

Know Your Customer, or KYC, is a common mantra in the banking world. It is used to tackle money laundering and is increasingly being applied in other areas of commerce as turning a blind eye becomes more and more inexcusable. We are also starting to see KYC in the anti-counterfeiting context.

A good illustration can be found in the activities of CropLife International, who are involved in tackling the growing trade in counterfeit pesticides. In March this year, China's biggest pesticide export fair took place in Shanghai where CropLife had its own stand.

Over fifty IPR infractions were discovered and local police were alerted. Several thousand brochures were handed out to participants, spelling out the importance to exporters of 'knowing their customers' prior to exporting active ingredients to ensure they are not delivering these to counterfeiters. The unregulated trade in active ingredients is a major contributor to the problem of counterfeit pesticides worldwide and the legitimate industry was concerned to flag up this issue and encourage greater due diligence by exporters.

The brochure (pictured) urges exporters to make sure that their customers are reliable honest companies with a good reputation for using active ingredients and pesticides legally, and asks them to make basic checks. It mentions two cases involving counterfeit product that was imported into Ukraine and Paraguay from China and raises the issue of who is responsible and the need to protect the China export industry. The message is non-threatening and offers those interested a short e-training programme on due diligence. By all accounts the brochure was well received by participants, fair organisers, media, and the Chinese government pesticide export authorities, ICAMA.

The problems of CropLife are the problems of many other industry groups facing a wave of counterfeits coming out of China. The global pharmaceutical industry, with its dependence on active ingredients from China and India, is deeply concerned about this issue and the Partnership for Safe Medicines advocates in particular:

"A dramatic and sustained increase in funding for the Food and Drug Administration in order to increase inspections of foreign facilities that manufacture drug products or

components of drug products sold in the United States. Additionally, the FDA should be empowered to inspect distribution facilities. We endorse establishing permanent FDA field offices in China, India and other key exporting countries staffed with both inspectors and criminal investigators."

Of course not all companies may wish or decide to take the sort of steps that CropLife and others advocate, but if they fail to do so and are found to be culpable they may face greater penalties in the event of a counterfeiting disaster.

The Anti Counterfeiting Trade Agreement (ACTA), which is still under discussion, is also likely to ratchet up the pressure on producers of counterfeits and issues such as KYC, and the liability of exporters and carriers is likely to feature. The ACTA initiative aims to establish international standards for enforcing intellectual property rights in order to fight more efficiently the growing problem of counterfeiting and piracy. In particular, the ACTA is intended to establish, among the signatories, agreed standards for the enforcement of intellectual property rights that address today's challenges by increasing international cooperation, strengthening the framework of practices that contribute to effective enforcement of intellectual property rights, and strengthening relevant enforcement measures.

Getting exporters to make checks on both their customers and suppliers, greater transparency in shipping documentation, and engaging carriers to be more proactive in not allowing counterfeits on board are all measures that will assist in the fight against counterfeiting.

**CropLife**  
Know Your Customer

**Issue:** Foreign counterfeiters and foreign illegal companies are sourcing pesticides and AIs from China that are used illegally in the destination country. Exporters risk being responsible for the criminal acts of these foreign companies if the exporters knew or should have known that they were shipping to criminals. What can exporters and manufacturing companies do to avoid being responsible for shipping to foreigners who use AI and pesticides illegally? What can exporters do to maintain the high reputation of the China pesticide export industry and China's business reputation?

**Answer:**  
Exporters Please "Know Your Customer"  
Make sure your customers are reliable honest companies with a good reputation of using AIs and pesticides legally.  
Is your customer registered in the country of destination?  
Does your customer exist and have they provided you proof they exist?  
Does your customer have a good reputation in the industry?

**Danger for your company and reputational issues for the China export industry if there are problems because you DO NOT know your customer?**

**EXAMPLES**  
In 2007, 500 tons of pesticides were shipped to Ukraine because the China exporters did not know their customer. If they had done research on their Ukraine customer they would have discovered that their customers were engaged in criminal activities in Ukraine AND were counterfeiting pesticides.

The Ukraine government has stored these chemicals for over two years and do not have the budget to destroy them that may exceed USD 1.5 million.

**Who is responsible to pay for destruction?**  
The customer who counterfeited?  
The exporters who shipped?

In late 2008 Paraguay police and customs seized five shipments of AIs and pesticides in which the exporters in China did not know their customers, and the shipments were destined to illegal companies and counterfeiters, including criminals smuggling into Brazil.

**Who is responsible?**  
The customer who counterfeited?  
The exporters who shipped?

**COOPERATION AND SUPPORT WITH ICAMA**  
CropLife International supports the positive steps of ICAMA in their mission to stop illegal activities in the trade of exported agricultural chemicals. CropLife International supports ICAMA's efforts in international cooperation, so as to protect the reputation of the China AI and pesticide exporting industry, and we are all working together to meet this goal.

**IMPORTING CUSTOMS**  
Importing customs in the destination countries will be paying close attention to import shipping documents accompanying AI and pesticide imports. Is the factory and exporter registered with ICAMA and is this mentioned on the import documents?

**PROTECT THE CHINA EXPORT INDUSTRY - KNOW YOUR CUSTOMER**

For more information on the 'know your customer' program and what your exporting company can do to avoid dealing with counterfeiters please contact:  
+86 10-66211836-227  
or knowyourcustomer@croplife.org

**WE CAN ALSO OFFER COMPANIES A SHORT E-TRAINING ON 'DUE DILIGENCE' AND KNOWING THEIR CUSTOMERS SO THAT THEY CAN DEMONSTRATE THEY'VE INTEGRATED THIS INTO THEIR 'KNOW YOUR CUSTOMER' PROGRAM.**

Protect the reputation of the China AI and pesticide exporting industry. Do NOT ship to illegal companies and counterfeiters.

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## UK:

### Brands at greater risk from fake goods online

Some big brands are facing an explosion in fake goods as online counterfeiters cash in on the recession, a new survey has warned.

The review, involving more than 200 UK businesses, found widespread fears that brands will suffer at the hands of retailers selling fake designer clothes and other replica goods on the internet during the world's first 'digital recession'.

The research, by intellectual property firm Marks & Clerk, found that 97% of businesses believe that counterfeiting will increase in the recession, while 80% believe businesses will be at "much greater risk" than in previous downturns due to the growth of the internet.

Four out of five firms surveyed said the rise of the internet has placed them at much greater risk from counterfeiters during the economic downturn. Boot manufacturer Hunter and clothing producer Pringle are among those known to be concerned at the growing number of fake goods being sold, mostly from factories in China.

Commenting on its findings, Marks & Clerk said businesses were "understandably anxious" about the impact of the recession in the digital age.

## USA:

### Counterfeit shirts seized at JFK

Customs and Border Protection (CBP) says that John F Kennedy International Airport seized a shipment of what the agency determined were counterfeit designer t-shirts with a manufacturer's suggested retail price of more than \$1.4 million and a domestic value of more than \$50,000.



According to CBP, the shipment was found during routine manifest checks. The t-shirts were in a shipment that was manifested as "men's cotton shirts" destined for Carlstadt, New Jersey. Examination of the shipment revealed what purported to be Ed Hardy™ by Christian Audigart tank tops and pullovers (pictured). CBP officers and import specialists identified the particular shipment as counterfeit because the importer lacked the proper license to import Ed Hardy™ merchandise.

The latest seizure brings the total of seizures involving counterfeit goods at the airport to 500 during the last fiscal year. The seized goods had a domestic value of almost \$4 million and an MSRP value of more than \$310 million.

"Our survey suggests the need for a more powerful international cybercrime authority, to address the concerns of brand owners and satisfy popular online marketplaces, establishing a clearer framework to punish the real offenders. This could involve a crime force ready to take action as soon as brand owners have identified counterfeit goods being offered online – but this would require brand owners themselves to become much more active in identifying fakes in the first place."

The survey found that 75% of firms believe stronger measures are needed to protect companies from counterfeiters in online marketplaces. Nearly two-thirds are calling for a new international law enforcement body to tackle cybercrime and punish offenders. And more than half believe search engines such as Google should follow a new protocol to make it harder for counterfeiters to prosper.

## Italy:

### 2008 counterfeiting cost E7.1bn

The booming market in counterfeit goods accounted for sales of 7.1 billion Euros in Italy last year, undermining the high-end fashion brands and prized food products that Italy's economy thrives on, a new study reveals.

Italy is one of the countries most exposed to losses from counterfeits say experts, with the money diverted to buying fakes resulting in a loss of 0.5% of gross domestic product. Counterfeits also deprive the state of 5.3 billion Euros in taxes each year.

Clothing and accessories saw the most vibrant trade in fakes with 2.6 billion Euros in sales, according to the report published by the Censis research group. These were followed by the music, movies and software sector and then food and drink.

Among new trends, mundane household goods like toothpaste and detergent are being counterfeited now, which could pose health risks for consumers. As a result, the Italian authorities are stepping up their fight against counterfeiting. They conducted more than 61,000 sting operations in 2007, seizing more than 88 million fakes and arresting more than 1,500 people, the study said.

The Italian government is also hoping to dissuade buyers with a new advertising campaign that includes newspaper ads urging consumers to say "No to false products." A TV spot drives home the message, presenting a fake line-up of the Italian soccer team, replacing Gianluca Zambrotta with "Zambrutta" and Fabio Grosso with "Grasso" before coach Marcello Lippi arrives to warn: "Counterfeiting damages all of Italy."

## UAE:

### Trademark infringement up

Dubai Customs registered a 39% increase in seizures in cases of infringement of trademarks during the first quarter of the year. The number of cases violating intellectual property rights law at different customs borders have reached 64 this year to date, as compared to 47 during the same period last year.

The figures are contained in a report by the Intellectual Property Rights Department (IPR) at Dubai Customs, which also puts the total value of counterfeit goods for which seizure reports have been produced during the first quarter in 2009 at Dh6.2 million, against Dh34.6m during the same period last year.

Cases of counterfeit mobile phones and their accessories were at the top of the list, totalling 14, followed by spare parts and cigarettes, which accounted for six and five cases, respectively.

## China:

### Raids net fake golf equipment

Joint raids by the Beijing Chaoyang Administration for Industry and Commerce (AIC) and the Chaoyang Public Security Bureau (PSB) against an assembly and warehouse facility of the Sunshine Golf Store located at Shangxinpu in March led to the owner and seven other persons being arrested and the seizure of nearly 10,000 pieces of counterfeit golf equipment.

It included more than 740 assembled golf clubs, 1,500 club heads, 4,700 golf grips, 2,300 shafts, 280 headcovers and assorted golf towels, golf bags and apparel.

The extensive enforcement action was conducted after complaints were filed with the respective local AIC and PSB organisations by the US Golf Manufacturers Anti-Counterfeiting Working Group. The seized goods were illegal copies of authentic products made by all six of the Group's members.

In another victory for the Golf Manufacturers Anti-Counterfeiting Working Group, the Shanghai Changning Public Procuratorate has confirmed that criminal prosecutions will proceed against the owners of three counterfeit golf club warehouses in the Changning District of Shanghai that were raided last year.

The raids resulted in the arrest of Shi-Feng and Sci-Chun-Ping and the seizure of more than 4000 counterfeit golf clubs, hundreds of golf bags, shoe bags and articles of apparel and nearly 6000 golf balls.

The Chinese Price Valuation Authority has valued the seized goods at more than \$1 million.

## Poland:

### Fake Euro gang arrested

The Central Bureau of Investigation (CBS) last month arrested a 27 person gang of European Union-wide counterfeiters passing off false euro notes.

Three hundred CBS agents took part in the sting action that resulted in the arrests of the gang and raids on 30 homes. The arrested included the alleged head of the gang Radoslaw B, a 29-year old resident of Italy but originally from Chelmo, central Poland. The majority of those arrested were from around the Polish city of Lublin, eastern Poland. They included two Polish Army soldiers, a Prison Guard, and a citizen of Romania. All face up to 10 years in jail.

The extent to which this criminal group operated in counterfeiting bank notes makes it the first of its kind in the EU that was so large and successful, said a police spokesman. The gang passed around mainly counterfeit 100 and 50 euro notes in Italy, Germany, Spain and France.

## USA:

### Book piracy claims

Publishers and agents representing authors are battling to get free copies of their novels removed from a Californian website that they claim has uploaded them without permission.

Scribd.com attracts 55 million visitors a month, many drawn by the chance to download versions of books by popular authors that have been uploaded on to the website without the consent of the writer or publisher. The books can be downloaded to a home computer or an electronic books reader, and then printed out.

Scribd was set up by Trip Adkins and Jared Friedman, Harvard students in their early twenties, and in two years has become the "YouTube for books", helped by \$12 million of financing. It makes money from advertising but pays no royalties to authors. It has rapidly become the most popular site for reading books online and 50,000 books and documents are uploaded onto Scribd every day.

Mindful of copyright concerns, a spokeswoman for Scribd says that it operates a "notice and takedown system", where it removes books if their publishers demand it. This makes the site compliant with the US Digital Millennium Copyright Act, which means that the site is not held liable for actions of its users of which it is not aware.

Critics say that this is not enough, because authors and publishers are not always aware that people are uploading books illegally.

## Argentina:

### Counterfeit toys in containers

Customs officers last month said they had foiled an attempt to smuggle 80 tonnes of counterfeit toys and batteries into the country from China. The contraband, worth about \$1.5 million, was found during a crackdown at Terminal 5 in Buenos Aires.

Some of the 500,000 toys had been manufactured with toxic materials, according to the Customs chief, who added that the goods arrived in 10 containers that were examined under new customs procedures implemented since February, whereby documentation is scanned and analysed for potential risks five days before a consignment's arrival at Argentine ports. \$21 million in counterfeit toys has already been seized this year in Argentina: the total for all of 2008 was \$12 million.

## West Bank:

### Fakes factories found

Palestinian police last month seized the contents of two more cosmetic and medical factories, the eighth they have found in a three-week period.

They said the factories had been manufacturing, relabeling and otherwise injecting expired and counterfeit products into the local market. Apparently, hundreds of thousands of shekels worth of shampoos, detergents, medications and raw materials have been seized.

Most of the closures and arrests were in the northern West Bank, from the Nablus area village of Dir Sharaf and Beita, as well as Nablus city, Jenin and Qalqiliya and Ramallah in the central West Bank. Most of the factories had been operating since 2005 and obtained their materials from illegal Israeli settlements in the West Bank.

## USA:

### CBP seizes handbags at LAX

Customs and Border Protection import specialists last month seized two shipments of counterfeit handbags and backpacks with an estimated manufacturer's suggested retail price of \$1.1 million and a domestic value of \$89,236.



CBP officials at Los Angeles International airport seized an air shipment of 1,300 handbags and backpacks which arrived from China containing counterfeit Coach and Gucci trademarks (pictured). A similar shipment containing 1,328 counterfeit handbags and backpacks was seized April 2.

## Turkey:

### Bootleg booze kills 11

Eleven people have died in Turkey over the past three weeks after drinking bootleg spirits.

Inspections have focused on the northwestern province of Bursa, where most deaths occurred, and the southern Mediterranean province of Antalya, Turkey's holiday hub where three young Germans recently died. Inspections at hotels in Antalya so far this year have detected 29 out-of-standard samples, including three that contained the deadly methyl alcohol substance blamed for the 11 deaths since March 21.

In 2005, 22 people died in Turkey after drinking adulterated raki, a powerful, anise-flavoured spirit that is considered this Muslim country's national drink.

Many people are blaming the emergence of illegal stills on hefty taxes levied on alcoholic beverages by the Islamist-rooted government.



## Europe:

### Counterfeiting Observatory

The European Commission last month announced the launch of the European Counterfeiting and Piracy Observatory. The observatory will act as "a forum for exchanging ideas, expertise and best practices in the fight against fake goods between member states and key representatives from the private sector." The observatory aims to become the recognised source of knowledge and a central resource for enforcers in the EU."

### Don't forget Cancun

ICC-CIB members are reminded that the 2009 Global Congress on Combatting Counterfeiting and Piracy takes place next month (June 2-4) at the Cancun Centre, Cancun, Mexico.

Registration details for this 5th Global Congress can be found at [www.ccapcongress.net](http://www.ccapcongress.net), along with a full program of events and exhibitors.

## Middle East:

### Counterfeit print cartridges a major concern for HP

Hewlett Packard (HP) has revealed that enforcement actions in Bahrain, Yemen and Saudi Arabia have yielded more than 115,000 fake ink cartridges over the last few months.

HP seized in excess of 700,000 illegitimate cartridges from the Middle East last year and a further 90,000 fake boxes and packaging materials.

The company says the production and resale of counterfeit cartridges and components remains a major issue for printing vendors in the Middle East and results in millions of dollars of lost revenue for authorised channel partners.

In November last year, HP intercepted two shipments in Saudi Arabia containing almost 17,000 fake laser printing cartridges, while a month later it seized 21,000 fake ink cartridges, 10,000 counterfeit laser cartridges and 1,000 empty laser cartridges after raiding eight IT stores in Yemen. In January of this year, meanwhile, it stumbled upon 28,000 finished fake inkjet cartridges, 39,000 finished laser cartridges and 50,000 flat laser boxes at a warehouse in Jeddah.

Over the past year, HP has carried out almost 70 unannounced audits of partner showrooms and warehouses, discovering counterfeit items during seven of those. It has also conducted 73 investigations in the Middle East and worked with local authorities to launch raids on illegal counterfeit logistics operations.

HP says partners can limit their chances of handling counterfeit goods by ensuring they only purchase products from HP-authorised distribution channels. The vendor requires authorised resellers to belong to its Anti-Counterfeit Programme (ACF), which presents them with a direct communication line to report illegal activity in the channel or market place.

## Saudi Arabia:

### Counterfeits blamed for port congestion

Saudi transport minister, Jabara Al-Seraisy, is reported to be blaming the ongoing congestion problems at the Kingdom's largest port on the arrival of fake and imitation products.

Speaking to Arab News daily last month, he said: "Customs department officials require more time to inspect such products to protect consumers. During my inspection tour, I found some 8000 containers that were present at the port being cleared by customs officials and keeping them ready for transportation."

Turning to Africa, HP said cases of its counterfeited products continue to be rampant in Kenya and other parts of Africa. More than 150,681 HP counterfeit products and components were seized in Kenya, Egypt, Nigeria and South Africa in the past six months alone.



Some of the many HP fakes found in Jeddah

In Kenya, the company says, there are well organised groups that manufacture and distribute fake HP products. In February, only two months after the country passed its new Anti-Counterfeit Bill, authorities managed to stop the illicit business of a local manufacturer of fake packaging material for counterfeit printing supplies. In another raid, the Department of Weights and Measures seized almost 5,000 fake security labels for counterfeit print cartridge boxes and confiscated machinery and other equipment used for printing the fake labels.

Moreover, despite HP investing billions of dollars in high quality packaging and security labels, counterfeiters still manage to fake the components. To stay ahead of the counterfeiters, the company is forced to develop new security labels and packaging every 18 months.



Jeddah Port

The minister visited Jeddah Islamic Port, the largest on the Red Sea, on the orders of King Abdullah, Crown Prince Sultan and Second Deputy Premier and Minister of Interior Prince Naif, who instructed the official to find ways of solving the congestion issues that have hampered throughput at the hub, which receives about 65% of the Kingdom's imports.

Al-Seraisy said there was strong cooperation between the various agencies to speed up the clearance of consignments and denied suggestions that local port and customs officials were to blame for the bottleneck.

## In Brief

### Thailand:

Thai authorities destroyed more than US\$45 million worth of counterfeit goods last month in their bid to demonstrate the government's strong stance on fake merchandise. More than one million illegally produced items including 'designer' cosmetics and clothing, and CD and DVD copies, had been seized during about 1,200 criminal investigations, an official statement said. The goods, officially estimated to be worth 1.6 billion baht, were destroyed to prevent them from re-entering the black market.

### Nigeria:

The Federal Government has engaged a German and a French firm to help it check the importation of substandard goods. Last month, a Memorandum of Understanding (MOU) was signed with TUV International (Germany) and SGC (France). Minister of Commerce and Industry, Chief Achike Udenwa, said he decried the influx of substandard goods into the country, saying the practice was a big hazard and economic sabotage. He enjoined the two firms to ensure only quality products are imported into the country.

### UK:

MRHA, the UK Medicines and Healthcare products Regulatory Agency, seized nearly half a million pounds worth of counterfeit medicines on March 26 in Middlesbrough and arrested four Chinese nationals allegedly involved in the sale and supply of counterfeit drugs. The seized drugs were for erectile dysfunction, anxiety, and weight loss. It is believed they originated from China.

### USA:

CBP officers at the Port of Norfolk have found more than 20,000 pairs of counterfeit designer jeans in a container that was being examined. The shipment included a variety of fake jeans including Bill Blass, Rocawear and South Pole. It was said to be worth more than \$403,000.

### UK:

MRHA, Britain's medicines watchdog, said last month it had discovered a batch of counterfeit Novo Nordisk insulin pen needles circulating in the country and urged diabetics not to use them. The possible consequences of using these counterfeit needles could include adverse reactions; pain and discomfort; infection and difficulty in attaching the needle to the pen injection device.

### Uganda:

About 500,000 tonnes of substandard and counterfeit goods worth over sh5b (\$2.3 million) have been intercepted by the Uganda National Bureau of Standards (UNBS) over the past three years. The goods included electrical appliances, canned foods, cereals, detergents, household items and building materials.

### UK:

UK Border Agency officers have seized a haul of counterfeit Nike trainers worth almost £1m at the port of Felixstowe. More than 770 brown cardboard (pictured) cartons were found containing 9,288 pairs of the counterfeit sports shoes. The load, which originated in China, arrived at the port on 27 March.



### South Africa:

Thousands of counterfeit DVDs and CDs worth over R1 million have been confiscated during a police raid on a home in Cyrildene, Johannesburg. Police responded following a complaint by a group of local musicians. They found thousands of counterfeit CDs, DVDs and cassettes in and around the house, as well as a vast number of computers, printers, DVD, CD and cassette writers.

### Philippines:

Law enforcers shut down one of the largest production centres of pirated DVDs in Angeles City in Pampanga last month. The centre contained equipment estimated to be worth P180 million (\$3.7 million). Officials said the warehouse had sacks of polycarbonate crystals and brand new replicating machines that were obviously shipped from abroad. It was capable of producing up to 100,000 pirated discs every day.

### USA:

Officials from a joint task force last month seized \$20 million worth of counterfeit goods from a warehouse in Brooklyn, New York, the result of a year-long sting operation. Six people were arrested. The goods seized included more than 100,000 pieces of knockoff merchandise, such as faux Coach handbags, Diesel jeans and Timberland boots. The fake merchandise was originally manufactured in China and subsequently smuggled into the US to the Brooklyn facility, which was used as a sales showroom where retailers could make wholesale purchases.

### And finally...

With times as tough as they are and counterfeiting spiralling out of control, one specialist agency in South Africa spotted an opportunity to tap into an urban truth and drive a powerful value message by handing out empty DVD covers to motorists at intersections notorious for their pirate DVD activity.



## France:

### Internet bill defeated

A highly controversial bill that proposed a 'three strike' law for internet users caught downloading copyrighted material was thrown out by French politicians last month, despite being heavily supported by President Nicolas Sarkozy's majority party in French government.

The law would have seen internet users get two warnings for their illegal activity. If these were ignored and the user was caught a third time, the bill could sanction the cutting off of their internet connection for up to a year.

The draconian measure had support from the recording industry, which only recently again praised the France decision to implement the law, describing it as sign that copyright holders and ISPs are forging a 'strong relationship' in the fight against internet piracy. The movie industry also backed the plan.

But against the predictions, the final vote came in at 21-15 against with socialist Patrick Bloche describing it as: "dangerous, useless, inefficient, and very risky for us citizens." The rejection was considered an accident by the government, caused when a dozen deputies of the opposition socialist party took part in the vote at the very last moment, which put the UMP ruling party in the minority and without time to gather more of their own deputies.

However, it is thought highly likely that the bill will up for vote again later this year and will probably pass through once more controversial issues like banned users still having to pay their ISP have been ironed out. Reports suggest the debating has already restarted.

## UK:

### Seller gets suspended sentence

A Cardiff businessman was last month given a suspended sentence after being convicted of stocking more than £30,000 worth of fake Duracell batteries that were said to be so good they were almost indistinguishable from the real thing.

Investigators found the batteries and other counterfeit goods at two businesses owned by Sangat Singh in 2007. In court he denied 19 trademark and copyright offences but was given a 12-week jail sentence, suspended for two years by Cardiff Crown Court.

The court heard that as well as the hoard of fake batteries at Singh's two shops, inspectors also recovered 660 counterfeit Gillette razor heads, fake car air fresheners and other goods from Burberry, Nike and Procter and Gamble. Some of the goods were being offered for sale for between half and a third of the normal retail price.

## Sweden:

### Pirate Bay founders guilty

Four men behind The Pirate Bay, a Swedish file-sharing website used by millions to exchange movies and music were last month found guilty of collaborating to violate copyright law in a landmark court verdict in Stockholm. Its owners have consistently shrugged off legal threats and police raids until now.

The four defendants - Fredrik Neij, Gottfrid Svartholm Warg, Peter Sunde Kolmisoppi and Carl Lundstrom, three founders and one patron of The Pirate Bay - were sentenced to one year in jail and also ordered to pay 30 million kronor (\$3.6 million) in damages to several major media companies including Warner Brothers, Columbia, Twentieth Century Fox, Sony BMG and EMI.

The Pirate Bay allows users to exchange files including movies, music, games and software, but does not host the files itself. It claims more than 3.5 million registered users. The prosecution claimed the site provides a search engine that helps people find and download copyrighted material including movies, music and games, in effect enabling copyright theft. The site's supporters say they're doing nothing wrong under Swedish law because the site doesn't actually put the copyrighted material on the website.

The court case, which involved both a criminal case and a civil claim brought by the media companies, marks a key victory for anti-piracy campaigners, who had long targeted the website. The year-long prison terms are for violating Swedish law, while the damages are compensation to the media giants in the civil case, though the court ordered the men to pay just one-third of the 110 million kronor (\$13 million) that the companies had asked for. The verdict did not include an order to shut down The Pirate Bay site, which entertainment companies' claim has hurt their box office profits.

## Philippines:

### IPC Code amendments

The Senate is poised to amend the Intellectual Property Code (IPC) to combat growing Internet piracy in the country.

The committee on science and technology says that amendments to the IPC contained in Senate Bill No. 880 would align the country's laws with international treaties on property rights and information management.

Sen. Edgardo Angara, committee chair, said in a statement the code must be armed with more comprehensive and efficient strategies to respond to the upsurge in Internet piracy.

## USA:

### \$1m counterfeit computer software seller guilty

Gregory William Fair, 46, last month pleaded guilty to selling counterfeit computer software on eBay in violation of criminal copyright infringement laws. According to court documents, the retail value of the software illegally sold was approximately \$1 million.

Fair pleaded guilty to one count of criminal copyright infringement and one count of mail fraud. Between 2001 through February 2008, he admitted selling a large volume of counterfeit Adobe software on the eBay auction website using multiple user IDs. Fair, who now faces up to 25 years in jail when sentenced in July, also agreed to forfeit the proceeds of his unlawful enterprise including: \$144,000 in currency seized from a safety deposit box and residence; one BMW 525i; one Hummer H2; one Mercedes CL600; and one 1969 Pontiac GTO. He also faces a maximum fine of \$250,000.

The most recent judgement now brings the Department of Justice's total of convictions involving online auction and commercial distribution of counterfeit software to 34. The Department's initiative is just one of several steps being undertaken to address the losses caused by intellectual property theft and hold responsible those engaged in criminal copyright infringement.

## Russia:

### Pharmaceuticals executives counterfeited 50 medicines

Tatyana Bryntsalova, former director of the Bryntsalov A pharmaceuticals company, and three other former company executives have been given suspended sentences after a Moscow court last month found them guilty counterfeiting over 50 brands of medicine. They were also fined 30,000-50,000 rubles (about \$900-1500). The trial of the former company executives began in December 2007 after a 20-month investigation.

According to police investigators, Bryntsalov A manufactured 200 tons of medicines worth 80 million rubles (about \$2.5 million) in 2004 and 2005, without the permission of the patent holders or the Russian Health Ministry. The company even had its own printing press to package their falsified products, which were then sold through front companies.

TheraFlu, Viagra, No-Spa, Mezim-Forte, Nootropil and Baralgin were among the American and European preparations that were imitated. So far, however, only the American company Pfizer has indicated that it will take any action to seek restitution from Bryntsalov A.

## Taiwan:

### Huge fine for selling fake Hermes bags

A former Hermes saleswoman who sold four fake branded bags for NT2.05 million (\$91,000) has been forced to pay for her crime more than 100 times over.

Taiwan's Intellectual Property Court recently ruled that Joyce Lee had to pay Hermes NT256 million, the highest compensation amount awarded by the court in a violation of intellectual property rights case so far. In addition to having to pay compensation, the court ruled that she must publish the verdict in two local newspapers as an apology to the French luxury goods company and its customers.



Taiwanese trademark laws state that violators can be fined between 500 and 1,500 times of the price of the original product. Lee bought the four fake Hermes handbags abroad and sold them between 2004 and 2005 after acquiring the company's VIP lists without authorisation and approaching clients claiming that she could get past the waiting lists to obtain the bags for them. The waiting period for hand-made Hermes Birkin bags fashioned from crocodile leather (pictured) can be as long as eight to ten years. She then sold them the fake bags through two second-hand shops in Taiwan, and split the profits with the shop owners.

## China:

### Nike sues over illegal logo

Nike, the American sporting and apparel brand retailer, is suing two Chinese companies for using its logo illegally. The two companies, Shanghai Century Lianhua Chengshan Supermarket Co Ltd and Kangchen Garment Co Ltd, have been sued for illegally selling garments displaying the fake logo (a silhouette of Nike brand ambassador and basketball star, Michael Jordan) and manufacturing the garments carrying the logo.

## USA:

### Fakes trafficker jailed

A woman who pleaded guilty to trafficking more than \$2 million in counterfeit sports apparel and fake designer purses and sunglasses has been sentenced to nearly 3.5 years in prison. Federal prosecutors said Tong C Park of San Antonio, Texas, admitted to selling bogus hats and jerseys of NFL, NBA and Major League Baseball teams. She also pleaded guilty to selling counterfeit Louis Vuitton, Chanel and Gucci accessories.

## iTunes scam evolves

Last month CC explained how counterfeiters have cracked the iTunes algorithm and are using it to generate fraudulent iTunes gift certificate numbers that they are offering for sale online. Now, clearly not selling the fake certificates for anywhere near their market value, they are trying a new approach to increase profits.

It is reported that third party iPhone App Store developers have received propositions from a scammer offering to buy large volumes of their iPhone applications and then split the resulting revenue with them, apparently using fraudulent iTunes gift certificates to make the purchases.

An email sent to the developer of TiltMeter Pro by an individual using a yahoo.com email account explains the scam. It says "I've been taking a look into your application and have an offer to you. I have many itunes gift certificates for itunes usa, canada and uk to make purchases through the itunes store. I can buy your product as many times as you want and can share earnings 50/50."

The scam attempts to exploit Apple's generous 70% revenue share of all iTunes mobile software purchases, which the company pays directly to developers. Using the counterfeit codes to buy apps, and then splitting the proceeds with developers, the scammers could easily siphon thousands of dollars from Apple's App Store without much effort.

If the scammers understand how to manipulate the iTunes interface using automated tools, it should be easy to set up tens of thousands of virtual iTunes users, converting the low value gift certificate counterfeiting business into a much more lucrative scam that can generate tens of thousands of dollars per app with very little overhead and little risk to the scammer. That amount of money would be unlikely to tip off any suspicions at Apple, given that the company is now handling over 75 million active accounts.

Observers believe unscrupulous app developers might consider participating in the scam even though their risk of detection is higher because apart from the additional revenue, the fake sales volumes will help push their titles further up the rankings, exposing them to a much wider audience and hence more legitimate sales. iPhone developers have stated that being promoted within iTunes is far more effective in reaching new customers and generating sales than anything they can do to promote themselves.

## Chip tackles fake aircraft parts

To tackle counterfeiting in the aerospace industry, where roughly half a million parts ranging from hardware to advanced electronics equipment fitted to aircraft are fake, a San Francisco company has developed a new electronic chip called CryptoFirewall.

The Cryptography Research chip can be embedded in a part during manufacture. Once the part is fitted, it communicates with a computer in the aircraft or another chip, using a challenge/response protocol that verifies the chip is an authentic part.

The chip can also be used for tracking, to record flight hours and numbers of actuations and then provide information when limits are reached to prevent counterfeiters from trying to resell a timed-out part. CryptoFirewall works best with components that already incorporate microchips.

## UK completes EU illicit tobacco initiative

The United Kingdom has joined the 26 other EU member states and the European Community as a signatory to the 2004 anti-contraband and anti-counterfeit agreement with Philip Morris International (PMI) and the 2007 co-operation agreement with Japan Tobacco International (JTI). This means that now all EU states are parties to these agreements.

Every year, the European Community and the member states lose hundreds of millions of euro in unpaid taxes from contraband and counterfeit cigarettes. EC VP Siim Kallas said: "This united front by the Community and all the member states shows how seriously we take the fight against illicit tobacco products. It is a strong signal to other companies that such legally binding arrangements are an essential tool to strengthen our action in this area.

"As the agreements now cover the entire EU territory, implementation will become even more comprehensive and efficient. It will be more difficult for illegal traders to find loopholes," Kallas added.

The agreements require the participating producers to build on their existing review processes for selecting and monitoring customers, to enhance their capacity to track and trace certain packaging, and to provide expanded support to European law enforcement in its battle against the illegal trade in cigarettes.

Under the agreements, the producers agree to continue limiting their sales to volumes commensurate with legitimate market demand. The agreements also incorporate into a comprehensive contractual framework the participating producers' existing compliance programmes.

## Tests find more fake tyres in Saudi Arabia

Authorities say that 25% of imported car tyres are counterfeit copies of the original brands. The discovery has been made possible using the latest and most developed techniques in the laboratory. Authorities have put greater stress on the testing of imported tyres after 40% of them were found to be fake last year.

Al-Amjad Private Laboratory conducts tests in cooperation with the Jeddah Sea Port and Saudi Customs Office. The Customs Office began using the latest techniques to inspect car tyres two months ago, and since then has discovered that most of the fake tyres are imported from East Asian countries. The Commercial Fraud Commission acts on the advice of Customs and takes action against the companies exporting the tyres.

## New standards to tackle counterfeits

ISO, the International Organisation for Standardisation, has set up two new committees to develop standards respectively for tackling counterfeiting of material goods and fraud. They are ISO/PC 246, Anti-counterfeiting tools, and ISO/TC 247, Fraud countermeasures and controls.

ISO Secretary-General, Rob Steele says the standards produced by ISO/PC 246 and ISO/TC 247 will provide harmonised, consensus-based, reliable solutions to help prevent the loss of earnings and jobs by companies which are victims of fraud and counterfeiting, as well as protect consumers from inadequate and unsafe products.

Today, there are hundreds of devices and systems that can be used to authenticate genuine products, but there is no global standard available to help compare the different systems, establish performance criteria or ensure interoperability.

An ISO International Standard would increase market transparency regarding the reliability and robustness of authentication tools. It would help businesses to make an informed choice when selecting the best tools for establishing the authenticity of a product. The standard would also help vendors of anti-counterfeiting systems, whether simple or complex, to improve the solutions they offer.

The future standard, ISO 12931, performance criteria for authentication tools for anti-counterfeiting in the field of material goods will be applicable to all material products.

## Watermark protects watches

Watchmaker Les Cubeurs is using a new technique to prevent counterfeiting and intellectual product theft: a new high-tech watermark that is built into the sapphire crystal of the watch.

The watermark is undetectable by the naked eye. To see the watermark a dealer needs special glasses supplied by the watchmaker and the watch hands have to be set to a specific time of day. The watermark process uses a laser and special invisible digital ink.



## Buyer beware fake electricals campaign

To recognise National Electrical Safety Month in America this May, ESFI (Electrical Safety Foundation International) is starting a Buyer Beware Anti-Counterfeiting Campaign to educate the public about how to recognise dangerous and defective counterfeit electrical products and avoid purchasing them when shopping online or in traditional retail outlets.

Counterfeit electrical products can be difficult to spot and Gallup Consulting and the US Chamber of Commerce say that 64% of counterfeit electrical products in the United States are purchased from legitimate shops and retailers.

ESFI has developed a complimentary Buyer Beware campaign toolkit that features a collection of informational materials, tools, and resources to encourage local communities to organise their own National Electrical Safety Month awareness activities. The contents of this toolkit can be downloaded at [www.electrical-safety.org](http://www.electrical-safety.org) and customised to meet the needs of any organisation.

## RFID tag for metal

Confidex, the Finish RFID manufacturing company, has launched Confidex SteelWING, a passive UHF C1G2 special label that is capable of functioning directly on metal surfaces.

With up to 10m (32ft) read range on metal surfaces, UHF Class 1 Generation 2 compliant Confidex SteelWING was designed to overcome the challenges of metal asset tagging. The key design targets; high performance, compact structure and cost-efficiency were achieved with SteelWING's innovative patent pending design. The light-weight tag has an adhesive background and can be directly attached on metal surface without any extra spacer material, the first time this has been possible.

# Initiatives, Strategies, Case Studies

## New counterfeit coin detection method

With coins increasingly replacing low denomination bank notes in circulation there has been a renewed interest in counterfeiting circulating coinage worldwide. To counter this, Japanese scientist Mototsugu Suzuki has developed a new counterfeit coin detection method that is based on the different frequencies between each coin denomination and of the difference in frequencies between genuine and fake coins according to their hardness and density.

Suzuki's method sounds relatively simple. Slide a coin down a brass-plated chute. A computer analyses the sound the coin makes as it slides, determining if the coin is genuine or not from the noise the coin generates. This relatively quick method is increasingly replacing existing labour intensive methods used by police that involve a microscope or subjecting coins to fluorescent X-rays, which can take up to three to five minutes per coin.

Practical applications for the new technique include applying it to vending machines, where a 30 millimetre brass composition chute allowing for oscillation provided by an accompanying high-performance microphone would allow computer analysis of each coin vended.

It took the inventor about two years to build his first successful genuine coin detecting device. The best part about the device is that it can examine large numbers of coins at a time, making the device handy for use in coin counting machines as well as vending machines.

## DNA helping prevent document fraud

Applied DNA Sciences says it has successfully embedded its proprietary SigNature® DNA into intaglio inks, adding to its proven portfolio of DNA security inks.

With a typical organisation experiencing more than one fraud attempt in every 1,000 documents issued (Standard Register), the new option could become a valued ally in the battle against counterfeiting. Each year, US companies lose more than \$650 billion to fraud, with counterfeiting and document fraud constituting more than two-thirds of that figure (Association of Certified Fraud Examiners).

Intaglio printing is an overt security technology available to provide anti-counterfeiting protection for documents that have dollar or data value, such as currency, stocks, bonds and certificates of authenticity. When layered into intaglio and other security inks, SigNature DNA provides protection against counterfeiting. DNA can be neither copied nor scanned and provides forensic evidence of authenticity. And, because APDN uses botanical DNA, this is also a scalable and affordable green solution. SigNature DNA can also be used with fluorescing inks, 2D barcodes and holograms.

## UK counterfeit electricals campaign



The British Electrotechnical and Allied Manufacturers Association (BEAMA) and the Electrical Distributors Association are among the trade associations backing a new campaign against the threat of counterfeit and non-compliant electrical products. The initiative aims to encourage installers not to be tempted to break the law.

BEAMA installation sector president Alan Birks said: "We believe that despite the obvious attraction of buying products on the cheap in these 'credit crunch' times, most contractors will draw the line at deliberately installing inferior quality - potentially dangerous - kit.

"At the trade counter our poster (pictured) may just encourage them to buy their installation equipment from a reputable wholesaler - rather than risk killing their customers."

## Find out more about the ICC Counterfeiting Intelligence Bureau

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