



# [ Customs and IPR Report 2008



WORLD CUSTOMS ORGANIZATION



# 1. FOREWORD

The results reported by Members during 2008 for combating counterfeiting and piracy are the best ever published. While we can commend the exemplary work done by Customs administrations and a real effort by Members world-wide to eradicate these fraudulent activities, the statistics for 2008 are also noteworthy for another reason: the production of goods which infringe intellectual property rights is still increasing, thereby posing an ever-greater threat to the health and safety of consumers on every continent, and to artistic and industrial design in countries around the world.

This annual report is divided into four main chapters and a statistical annex. The first chapter covers the global aspects of counterfeiting and piracy. The second consists of a sector-by-sector analysis of this type of fraud, with special emphasis on the issue of consumer protection and the sometimes terrible effects on people's health and safety. The other sectors are examined individually, in the light of the information input into the CEN. The third chapter covers the results obtained by each region, with an analysis of the latest trends and of seizures identified as

exceptional in terms of the number of items intercepted or the discovery of new smuggling techniques. Finally, the fourth chapter lists the main events organized by the WCO and its partners as part of the fight against counterfeiting and piracy.

A study of the statistical data for 2008 confirms the ever-changing nature of this type of fraud. Whether in terms of the nature of the goods being counterfeited or the routes employed, the international trafficking organizations continue to display their capacity to react to new developments, although certain trends observed in previous years are continuing.

More than 2,000 different counterfeited trademarks were intercepted at borders, from more than 106 countries of origin and bound for 140 countries, giving true meaning to the concept of the globalization of fraud. With almost 15,000 (14,981) seizures reported by Customs administrations in 2008, as against 8,421 in 2007 (+ 77 %), for a total of 371 million items compared with 89 million in 2007 (+ 316 %), the scale of these activities is unprecedented.

In addition to the wide range of products intercepted and the increased number of routes used, two trends have established themselves in recent years : a significant increase in seizures from postal and express mail items directly linked to Internet shopping (14 % of seizures), and an increase in counterfeits which endanger consumer health and safety (more than 12 million counterfeit food and drink products intercepted - an increase of + 2,500 % over 2007; almost 34 million counterfeit medicines intercepted - an increase of + 596 % over 2007).

Sixty-six Customs administrations have input their results into the CEN, and only seizures involving at least 50 articles and/or 10,000 euro (authentic market value) have been taken into account. The total value of the goods intercepted was a record 3.1 billion euro.

The top 4 counterfeited products were phonographic products (79.5 million items), cigarettes (33.9 million packets), medicines (33.9 million items), and games and toys (20 million items).

I would like to take this opportunity to congratulate, in particular, the United States, the United Kingdom, Japan and the Russian Federation on their significantly improved results for 2008. I would also like to recognize the efforts of Burkina Faso, Jordan, Kuwait, Papua New Guinea, Singapore, and Rwanda, which reported their first results to the CEN this year.

Customs administrations need to adapt continuously to deal with these new challenges. The introduction of specific risk analysis techniques which develop to reflect the seizures made, compliance with international legislation, and the establishment of specific structures within general directorates are just some of the potential responses to the threat which these fraudulent activities pose to our societies, but it will not be possible to achieve all this without a large-scale capacity building programme which is accessible to all.

I am determined to make this my priority. Customs administrations which are better trained to combat counterfeiting and piracy will undoubtedly produce better results and,

therefore, better protection for consumers.

Many of you have been asking for a change of policy in this area, and the introduction of a real capacity building policy which is equal to the dangers threatening our societies. This is what I want to achieve with you.

At Members' request, the Secretariat will henceforth be able to offer IPR diagnostics taking account of national legislation and regional or indeed national operational seminars, as well as co-ordinating joint control operations. The first diagnostic missions have begun, as have the first regional seminars, and they have been very well received.

The introduction of this ambitious policy, based on existing WCO tools, has been made possible by an unprecedented contribution for this area from Japan's CCF and it is worth noting that the number of requests for technical assistance continues to rise.

There is still, however, a great deal to be done, including in particular increasing the number of data in the CEN. After all, the more information there is, and the more the analyses can

be fine-tuned, the better placed we will be to quantify and qualify these fraudulent activities and, therefore, to tackle them.

In conclusion, I would like to thank Customs administrations for the quality of the work accomplished in 2008. Customs initiatives, whether involving collaboration with the private sector or public awareness campaigns, have been more plentiful this year, making it possible to achieve the best results ever recorded.

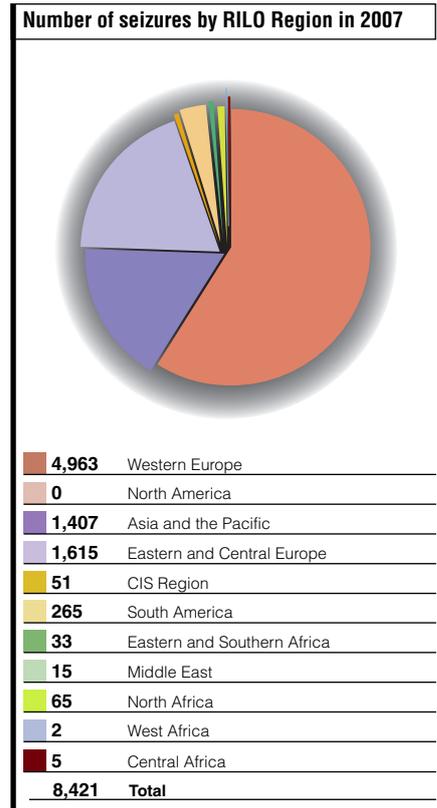


**Kunio Mikuriya**  
Secretary General  
World Customs Organization

### 3. GLOBAL REVIEW OF COUNTERFEITING AND PIRACY IN 2008



» (Photo courtesy of Slovenian Customs)



The negative effects of IPR infringements range from threats to public health and safety to loss of government revenues, as well as the huge damage done to legitimate trade and business. This section provides an overview of the global situation in respect of the main counterfeiting categories, trademarks, origins, departures, concealments, routings, etc.

This report deals with information on seizures made from 1 January to 31 December 2008 and reported to the CEN by Customs administrations, as well as relevant information provided by some Customs administrations but not entered into the CEN. In order to maintain consistency and balance for all data, only seizures involving a minimum of 50 articles or at least € 10,000 in any individual case (authentic market value) are taken into account for the analysis in this report.

In the course of 2008, 66 Customs adminis-

trations reported more than 18,700 seizures relating to counterfeiting and piracy to the CEN. Based on the above mentioned criteria, 14,981 of them are taken into consideration for the analysis in this report, amounting to 371,008,584 pieces and 354,825 kilograms, valued at 3,109 million Euros.

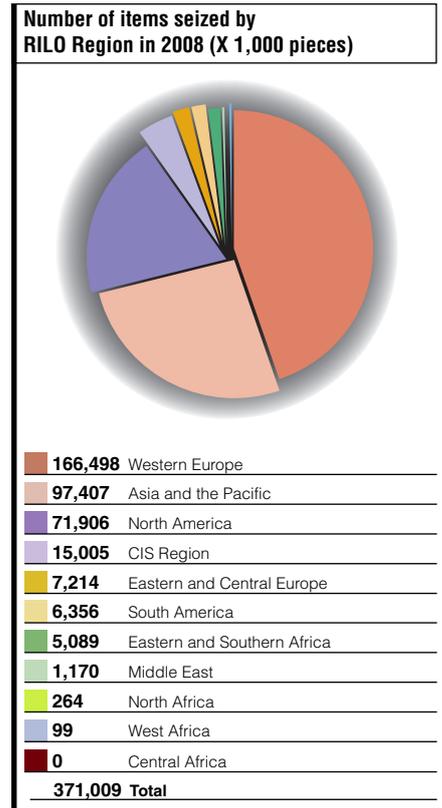
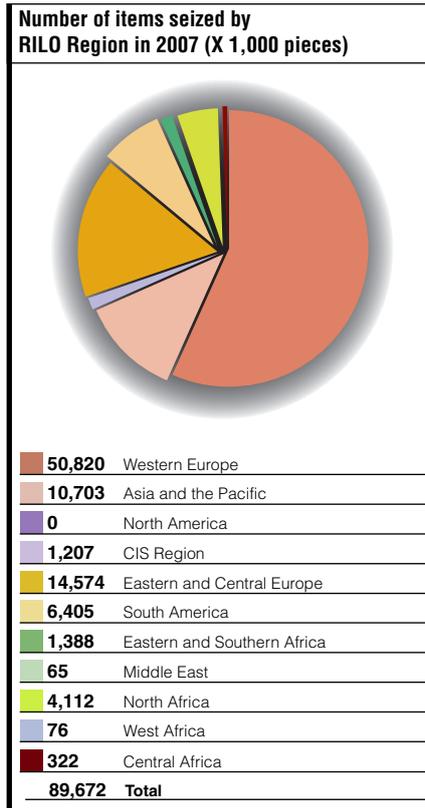
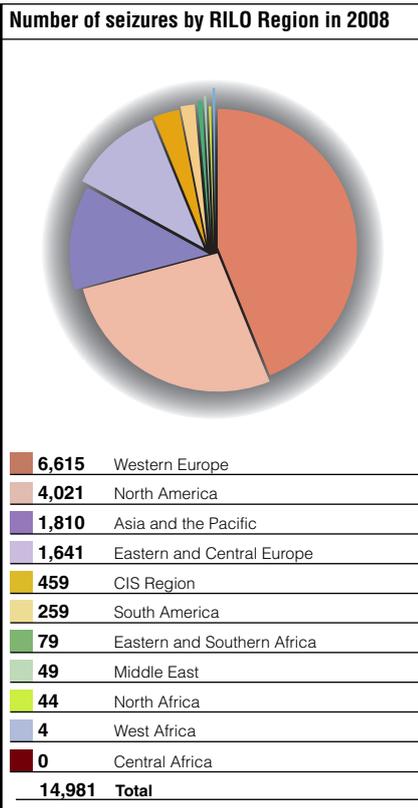
Almost all the seizures were made and reported by Customs administrations. Only 127 of them were the result of joint efforts by Customs and Police; the items seized accounted for 2 % of the total. This clearly shows that Customs needs much more inter-agency co-operation with the Police and other agencies.

The regional pattern of seizures shows that the RILO for Western Europe (RILO WE) region, with 6,615 seizures, was well ahead of North America (4,021 seizures, 27 %), the RILO for Asia and the Pacific (RILO AP) region (1,810, 12 %) and the Eastern and Central Europe (RILO ECE) region (1,641

seizures, 11 %). These four regions were responsible for 94 % of seizures reported to the CEN in 2008. The fact that the RILO WE region share has gradually slipped, from 79 % in 2004 to 44 % in 2008, implies that Customs administrations in other regions have made progress in their fight against counterfeiting and piracy.

Burkina Faso, Jordan, Kuwait, Papua New Guinea, Singapore, and Rwanda reported their IPR seizures to the CEN for the first time ever. Some countries such as the United States, Spain, Japan, the Russian Federation, Denmark, and Norway increased their inputs or reports significantly in the year.

In terms of seizure numbers by country, the top 10 list was led by the United States with 4,021 cases, Germany followed with 1,456 cases, and the United Kingdom accounted for 1,203 cases. Seizures reported by these countries made up to 45 % of the total. The



United States, Spain, Japan, and the Russian Federation replaced Poland, the Czech Republic, Hong Kong, China, and the Former Yugoslav Republic of Macedonia in the top 10 list in 2008.

The list of top 10 countries in terms of items is rather different. The Republic of Korea

**Top 10 Reporting countries by number of seizures**

Country	2007	2008
United States		4,021
Germany	1,476	1,456
United Kingdom	758	1,203
France	1,121	1,090
Spain	25	757
Rep. of Korea	779	720
Japan	42	653
Hungary	416	642
Netherlands	385	469
Russian Federation	40	459

with 92 million pieces is ahead of the Netherlands (78 million pieces), and the United States is third with 72 million pieces. Items seized by the top 10 countries accounted for more than 88 % of the total.

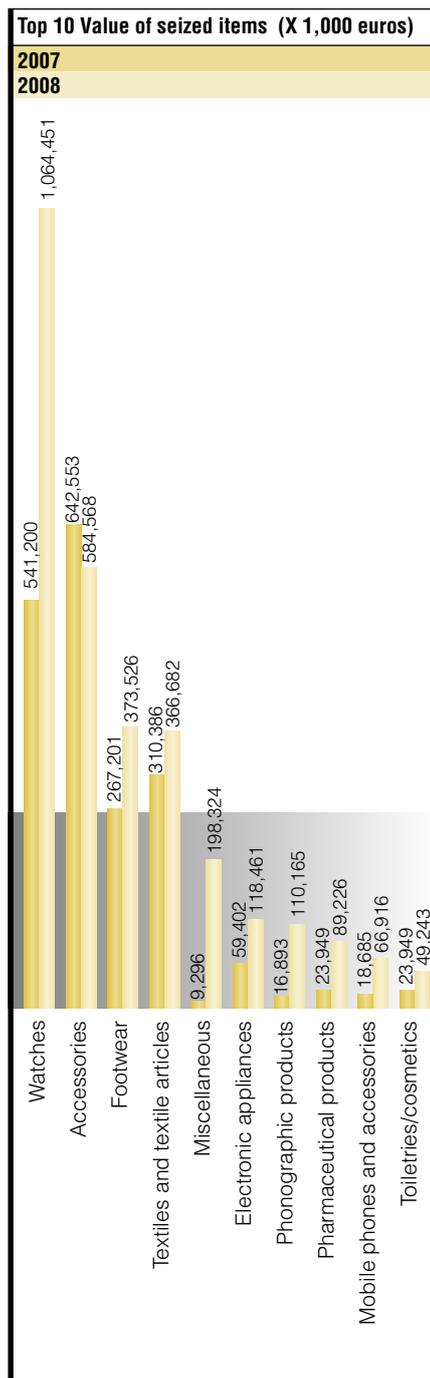
A total of 3,290 seizures relating to textile articles were reported, followed by accessories with 2,428 seizures, footwear (1,740 seizures), miscellaneous (1,322 seizures), and electronic appliances (1,319 seizures). There has been a sharp increase for beverages, foodstuffs, pharmaceutical products, and electronic appliances.

In terms of articles seized, phonographic products were top with 80 million pieces, an increase of 17 times compared to 2007. This was followed by pharmaceutical products with 34 million pieces, tobacco (34 million pieces), games and toys (20 million pieces), and textile articles with 13 million pieces. In terms of weight, 355 tons of foodstuffs were also reported.

The total value (actual retail price) of 3.1 billion Euros in 2008 saw a 51 % rise compared to 2007. This can mostly be explained by the fact that there has been a significant increase of items in the beverage and phonographic products sectors. Due to the

**Top 10 Countries in terms of seized items (X 1,000 pieces)**

Country	2007	2008
Rep. of Korea	2,937	91,914
Netherlands	3,395	78,123
United States		71,906
Germany	14,190	24,346
Russian Federation	68	15,330
Belgium	7,455	10,917
Italy	5,882	10,167
Spain	3,800	9,506
Denmark	20	7,617
France	2,761	7,033



fact that no or much less than normal price information was provided in many cases, the value information is for reference only.

### Trademarks

The increasing problem of counterfeit products is having a damaging effect on brand owners' image and profits. The statistics show that counterfeiting and piracy involved more than 2,000 brands in 2008, although trademark information was not available in 39 % of cases. In many cases, different types of articles of various brands were mixed together in one shipment.

Adidas was counterfeited in 539 seizures, followed by Nike in 493 seizures, Louis Vuitton (269 seizures), Viagra (266 seizures), and Chanel (252 seizures).

In terms of number of items, as can be seen from the chart, Philips overtook Marlboro at the top with 71 million pieces, followed by 11 million pieces of Eagle.

**Top 10 Counterfeited brands (by number of seizures)**

Trademark	2007	2008
Adidas	428	539
Nike	551	493
Louis Vuitton	206	269
Viagra	165	266
Chanel	203	252
Eli Lilly	92	226
Rolex	241	212
Nokia	201	204
Gucci	179	190
Puma	221	165

**Top 10 Counterfeited trademarks (X 1,000 pieces)**

Trademark	2007	2008
Philips	3,132	71,397
Marlboro	16,065	11,747
Eagle		11,000
Walt Disney	1,614	7,503
BEN10		5,815
BIC	1,356	4,942
Mattel	11	4,427
Nokia	1,354	3,685
Nike	3,957	3,150
Sanofi		2,950

**Top 10 Counterfeited trademarks (X 1,000 Euros)**

Trademark	2007	2008
Gucci	70,173	592,255
Rolex	125,593	246,909
Chanel	78,349	139,754
Nike	132,271	130,706
Philips	16,518	114,069
Adidas	77,222	112,824
Louis Vuitton	276,986	83,946
Cartier	70,953	64,813
Crocs	1,469	52,217
Nokia	8,630	49,310

In terms of value, Gucci led the list at 592 million Euros, amounting to 19 % of the total value, Rolex remained prominent (247 million Euros), followed by Chanel (140 million Euros), Nike (131 million Euros), and Philips (114 million Euros). The value of the top 10 brands grew by 85 % compared to 2007, accounting for as much as 51 % of all seized items.

### Origins

Based on available information, 106 countries were identified as the origin of at least one seizure, 7 more than in 2007. As many as 5 countries appeared on the list for the first time since 2004. These included Swaziland, Tajikistan, Turkmenistan, Kazakhstan, and Myanmar.

Similar to previous years, China was the country of origin in 6,819 out of 14,981 cases, namely 46 %, followed by Hong Kong, China (806 cases), India (580 cases), Thailand (243), Turkey (234), and the United Arab Emirates (127 cases). The country of origin in 4,993 cases remained unknown. Pakistan replaced Italy in the top 10 this year. Seized shipments originating in the top 10 countries constituted 94 % of the total, almost double the amount in 2007.

### Departure countries

The list of top 10 departure countries is the same as in 2007. While the information remained unknown in 3,289 cases, 121

Top 10 Origins by seizure numbers		
Country	2007	2008
China	2,838	6,819
Unknown	3,703	4,993
Hong Kong, China	259	806
India	172	580
Thailand	209	243
Turkey	248	234
United Arab Emirates	59	127
Pakistan	33	125
United States	100	108
Vietnam	88	70

countries were mentioned as the departures of all seized shipments. Poland and Hungary were among the top 10 partly due to seizures made internally. Of the 14 new countries on the list of departures, Venezuela, El Salvador, and Turkmenistan were mentioned with at least 3 seizures each.

A total of 7,034, equivalent to 47 % of seized shipments, departed from China, far more than from Hong Kong, China (1,032 shipments, 7 %). India was third with 587 cases, followed by Thailand (377 cases), and Turkey (326 cases).

In terms of seized items, 241 million pieces, 65 % of the total of counterfeit shipments, departed from China, representing an increase of more than four times compared to 2007. The top 10 dominated, with 88 % of departures for all items seized in 2008.

Top 10 Departure countries by seizure numbers		
Country	2007	2008
China	3,610	7,034
Unknown	1,407	3,289
Hong Kong, China	699	1,032
India	221	587
Thailand	293	377
Turkey	354	326
United Arab Emirates	176	173
United States	169	137
Poland	122	54
Hungary	174	35



»» (Photo courtesy of Hungarian Customs)

Shipments departing from China comprised all types in 2008; they included accessories (20 %), textile articles (19 %), footwear (14 %) and electronic appliances (8 %). The items were distributed to 118 countries, with the top five being the United States, Spain, the Republic of Korea, Germany, and France.

### Destinations

More than 140 countries were the intended destinations of seized shipments in 2008, headed by the United States for 2,642 ship-

ments, followed by the United Kingdom (1,286), Germany (1,199), France (899), and Spain (813). Shipments heading for the top 10 countries made up 70 % of total seizures.

### Transits

Based on available information, articles in 3,111 (21 %) seizures were intended for transit in third countries en route to their final destinations. Among them, 306 shipments were intended to be transited more than twice and 52 more than three times.

Top 10 Departure countries (X 1,000 pieces)		
Country	2007	2008
China	56,074	240,801
Unknown	10,971	46,497
Hong Kong, China	2,297	8,560
United Arab Emirates	2,665	7,435
Greece	2,132	5,996
India	1,369	5,076
Japan	2	4,335
Egypt	1,547	4,333
Philippines	9	1,947
Turkey	1,418	1,798

Top 10 Destination countries by seizure numbers		
Country	2007	2008
United States	32	2,642
United Kingdom	812	1,286
Germany	1,163	1,199
Unknown	350	1,132
France	870	899
Spain	201	813
Rep. of Korea	780	720
Japan	42	626
Hungary	396	602
Russian Federation	81	514

1 <sup>st</sup> Transit countries (above 50 cases)		
Country	2007	2008
Germany	512	854
Netherlands	409	445
France	283	222
Hong Kong, China	142	146
Norway		121
Spain	73	115
Romania	79	110
Belgium	132	82
Bulgaria	75	79
Chile	38	64
Poland	86	61

A few have undergone as many as 5 transits before being finally stopped by Customs. This seems to be a strategy used by traffickers to disguise the actual origins and distract the attention of Customs agencies.

Of all those shipments using transit routes, 1,438 shipments reached and were seized at their final destinations. This means 1,673 shipments out of 3,111 (54 %) were intercepted en route to their destinations. This shows that enforcement procedures for goods under transit are very important for Customs in detecting counterfeiting and piracy.

Various locations in Germany were used as initial transit points in 854 cases, but all of them were stopped there. The Netherlands was used as a transit point in 445 cases and all were intercepted locally. France seized 222 transit shipments passing through its territory. Hong Kong Customs seized 146 shipments in transit.

### Directions

Seizures made at importation accounted for 74 % (11,130 cases) of the total. Seizures made in transit accounted for 11 % (1,591 cases). 1,044 (7 %) internal seizures were reported by 23 countries. As for internal seizures, Hungary and Poland reported 558 and 183 cases, respectively, followed by France (115). These three countries are responsible for 85 % of all 3,213 seizures

made internally since 2004. Seizures (153 cases) at export reported by 34 countries accounted for only 1 %. This may demonstrate that most Customs are targeting exit points less and thus Customs need far more enforcement operations at export.

The United States reported 75 cases seized at export in 2008, followed by the Russian Federation (11 cases), France (10), and Poland (8).

### Location types

Seizures carried out at seaports accounted for 20 % (2,932 cases) of the total, 18 % were made at airports, 2,391 cases (16 %) inland and 2,150 cases (14 %) at mail centres. Only 4 % of the seizures were made at land borders.

In terms of items seized, consignments at

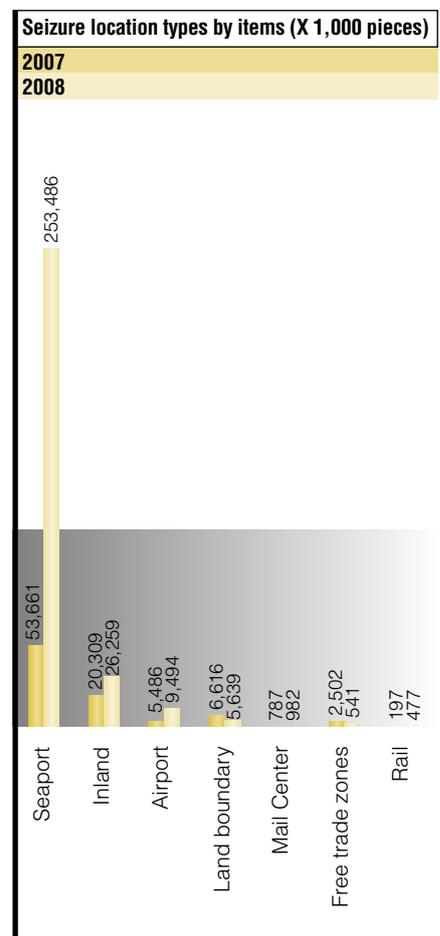
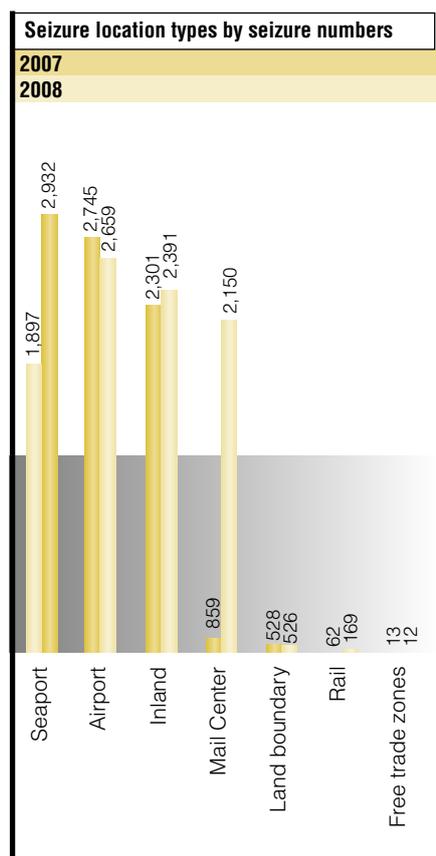
seaports amounted to as much as 70 % (253 million) of the total number of items seized, followed by inland seizures (7 %), those at airports (3 %), and land borders (2 %).

### Seizure locations

In 2008, 901 and 652 seizures were made in Los Angeles and Newark, N.J., respectively in the United States. Paris was next with 619 cases, then Budapest (mainly inland) with 517 seizures. Seizures made at the top 10 locations accounted for one third of the total for the year.

### Infringement types

9,265 cases (62 %) were related to trademark infringement, far more than to copyright (6 %). 210 cases (1 %) involved



Top 10 Seizure locations (seizure no.)		
Location	2007	2008
Los Angeles		901
Newark		652
Paris	595	619
Budapest	314	517
Incheon	427	428
Heathrow	310	420
Hamburg	278	393
Valencia	7	320
Coventry	11	289
Frankfurt	80	246

patents. There were 124 cases (1 %) relating to design and model rights. In terms of geographical indications, 5 cases were reported. Several rights were frequently infringed at the same time.

Almost all of the seizures in 2008 were counterfeit products. In 858 cases, label/signs were shipped in separate consignments, 21 times the figure in 2007. It is thought that all these labels/signs were to be assembled with the counterfeit products once they arrived at their destinations.

**Concealment**

As in 2007, in 4,406 (29 %) out of 14,981 cases, goods were concealed in freight; in 1,961 (13 %) cases, goods were not concealed, partly because they were seized in the market place, or abandoned, or the goods were simply declared to Customs without concealment. In 2,350 (16 %) cases, counterfeits were found concealed inside postal or express packages. 795 (5 %) cases were seized in transport. The story is different in terms of seized units. 22 % of the goods were concealed in transport, and this was



»» (Photo courtesy of U.S. Customs and Border Protection)

followed by freight. Counterfeit products were sometimes mixed with authentic products in the same consignment, thus making it difficult to distinguish fake from genuine goods.

**Detection methods**

As in previous years, 37 % (5,533) of the cases were found during routine checks, which have remained the most important method for Customs to detect this kind of trafficking. 12 % (1,766) of the total was the result of profiling, a 46 % increase compared with 2007, due to intensified implementation of risk management. Intelligence investigations and tip-offs led to 1,252 seizures (8 %). 762 (5 %) seizures were the outcome of random checks.

**Declared goods**

In 1,600 cases where the declaration status was indicated, articles in 424 cases were declared to Customs. In the case of non-declaration, the fake articles were not concealed in 103 cases. This is probably because in many countries, passengers are no longer obliged to submit written declaration forms, and a small number of articles for personal use, while possibly infringing intellectual property rights, is not subject to relevant national legislation.

Declared goods included handbags (HS 4202), toys (HS 9503), socks (HS 6115), T-shirts (HS 6109), caps (HS 6505), jackets (HS 6201), and sunglasses (HS 9004).