Customs and IPR Report 2010
I am pleased to introduce the WCO’s annual Customs and IPR Report 2010.

At the 6th Global Congress on Combating Counterfeiting and Piracy held in Paris in February 2011, almost 900 representatives of key stakeholders from 105 countries discussed wide-ranging issues surrounding counterfeiting and piracy. The discussions repeatedly highlighted the fact that counterfeiting and piracy continue to grow as a social and economic problem, that they are prevalent in all countries, and that fake products are proliferating across all industries. Particularly threatening are those products that cause direct harm to consumers’ health and safety. Participants also emphasized that there is a need for continued capacity building and training of law enforcement officers and also a need for further engagement in improving communication between the public and the private sector.

Readers of this year’s IPR Report will see that these findings are supported by more than 23,700 seizure cases provided by 70 of the WCO’s 177 Member Customs administrations from all 6 WCO regions; by the wide variety of seized products, ranging from accessories and electronic appliances to foodstuff and pharmaceutical products; and by the activities that the WCO has rigorously been pursuing.

The scale of the counterfeiting phenomenon, particularly relating to counterfeit medicines, is illustrated by a typical method of concealment. During the physical inspection of a container declared as containing “various goods”, Customs officers discovered 631,000 fake tablets and additional items of this nature hidden inside cartons at the back of the container. The estimated value of the goods was more than 9 million US dollars. In addition to the economic impact of this seizure, it is also highly significant in terms of protecting public health, as these potentially very harmful substances were prevented from entering the local market. The seizure was made possible through ongoing co-operation with the Ministry of Health in the country concerned.

In 2010, a marked increase was also observed over the previous year in the number of seizures concerning computer accessories (50% increase), electronic appliances (up 37%), and goods related to international sports events (up 52%). As support for Members’ efforts against counterfeited items related to international sports events, the WCO and its Regional Intelligence Liaison Office (RILO) network conducted operations focusing on the 2010 FIFA World Cup in South Africa. Significant seizures made during the operations clearly illustrate the effectiveness of the concerted efforts of Customs in thwarting the expectations of criminal gangs to make and launder vast amounts of money during such major international sports events.

In the course of the year, the WCO has continued to address the needs of its Members by organizing large-scale IPR capacity building activities: 9 national diagnostic assessments, 7 regional seminars, 9 national seminars, and 5 operational exercises targeting specific regions and items. Customs officers from more than 140 countries have been trained on IPR matters during 2010/2011. The WCO will continue this...
work by responding to requests for capacity building and training from Members.

In an ongoing effort to improve communication between Customs and the private sector, the WCO launched a new innovative initiative called “IPM” (Interface between Public and Members) in June 2010. IPM is a powerful tool aimed at enhancing the operational capacity of Customs officials and boosting communication between Customs and rights holders.

The WCO CEN system continues to prove its worth as an effective storage system for seizure reports worldwide. The number of Members reporting seizure-related data to the system has continued to increase. Members’ reporting of seizures involving at least 50 articles and/or a value of 10,000 euro (authentic market value) enables the WCO to play a dynamic role in providing global statistics on IPR matters, including trends, volumes and smuggling patterns.

I would like to take this opportunity to thank WCO Members and other contributors for the information they have provided to the Secretariat to enable the compilation of this very useful IPR Report. This year’s Report contains four chapters, plus a statistical annex. The first chapter covers the global aspects of counterfeiting and piracy. The second part is dedicated to a sector-by-sector analysis of IPR infringements, with special emphasis on consumer protection and health and safety, along with the latest trends and new smuggling techniques. The third chapter contains information on results by region and, lastly, the fourth chapter elaborates on the major events/projects organized during the year by the WCO and its partners as part of the global fight against counterfeiting and piracy.

This year, I would like to congratulate, in particular, Mexico, Saudi Arabia and the Republic of Korea on their significantly enhanced results for 2010. This increase in reporting of seizure cases reflects the reporting countries’ strong political commitment to protecting IPR. I also recognize the efforts of Bahrain and Benin, which reported their first results to the CEN system during this reporting period.

The WCO will continue to build the border enforcement capacity of Customs administrations worldwide in combating counterfeiting and piracy. It will also continue to promote inter-agency and Customs-Business partnerships, in order to further strengthen the line of defence against this serious criminal activity. I am convinced that this IPR Report will be a useful tool to supplement the efforts of the WCO, Member Customs administrations and other stakeholders in this respect.

Kunio Mikuriya
Secretary General
World Customs Organization
2. **APPROACH**

2.1. **Structure of the Report**

The WCO has published six editions of its annual IPR Report since 2004. This seventh edition is intended for the use of WCO Members, other enforcement agencies.

We have tried to identify trends and highlight particular issues, thus supporting policy and decision-makers, as well as officials in their daily work in the field.

This Report is in four parts, with statistical Appendices. The first part provides a global overview of counterfeiting and piracy.

In conformity with the structure of the Customs Enforcement Network (CEN), the second part employs a sectoral approach to the counterfeiting phenomenon, focusing in particular on consumer protection issues affecting the health and safety of citizens. The other sectors are analysed in detail individually, in light of the information available in the CEN (quantity, value, commercial brand, origin, method of concealment, route followed, etc.). Wherever possible, we have also endeavoured to indicate how big a role each sector plays in the global phenomenon of counterfeiting and piracy.

Rather than examining in detail every type of counterfeit product, we have confined ourselves to setting out the broad trends and highlighting a few seizures that would rate as exceptional because they involved a large quantity of counterfeit products, or because of the discovery of a new method of concealment.

The third part involves a regional approach to the results achieved. The regional breakdown reflects the structure of the RILOs, as shown in the Appendices.

The fourth part gives more information on significant events initiated by the WCO and its partners in this area.

The Appendices set out thought-provoking seizure statistics from various perspectives, based on the CEN, such as seizures by every reporting country, and include statistics broken down by category, origin and departure.
2.2 Source of Information and Methodology

The seizure data in this Report have been compiled from the CEN database, which has been operational since July 2000.

Some relevant information obtained by Members but not entered in the CEN (for whatever reason) has been taken into account when it could shed light on, or add value to, the preparation of this annual Report.

This Report covers seizures made between 1 January and 31 December 2010 and entered into the CEN, as well as relevant information not in the CEN but provided by Member Customs administrations. Only those seizures reported and validated before 25 March 2011 have been used for analysis. Data provided later than that could not be included in this Report, but will be updated and taken into consideration for the next annual Report.

Analysis only takes account of seizures made by Customs services, joint Customs / Police or joint Customs / other enforcement agencies (like the Italian Guardia di Finanza), at importation, exportation or in transit, in the commercial sector or in the context of an investigation into organized crime. Information for the year 2009 has also been taken into account, for purposes of comparison and to help identify any major variations or developments.

As reporting limits are not the same in all regions, for the sake of consistency and comparison, account has been taken only of seizures involving a minimum of 50 articles, or a total value of at least 10,000 euro (based on the value of the genuine articles) in an individual seizure. Based on these criteria, of the 23,728 seizures involving 152 million pieces and four tonnes of items made in 2010 and reported to the CEN, 23,477 seizures involving 152 million pieces and four tonnes have been used for analysis in this Report.

For certain reported seizures, no price, or inadequate price information, was provided. Prices for the same type of goods vary in different regions. The price, therefore, is for indicative purposes only and has no official status.

The term country or Member State in this Report refers to the WCO Member Customs administration responsible for the jurisdiction within one independent Customs territory, rather than a sovereign territory.

The euro is used to indicate information on value in this Report. Exchange rates current at 15 July 2010 were applied for all currencies.

Units used in this Report mostly refer to the smallest retail packages. Kilogram (kg) is used where the unit ‘pieces’ cannot be applied to measure foodstuffs. In the case of tobacco products, one ‘piece’ for cigarettes equals 20 sticks (one pack), or one piece is a cigar (cheroot).

Origin in this Report is the country where the goods have been produced/manufactured or country entered into the CEN under the “origin” field by Members taking into consideration certain documents relating to exportation and importation. It is not the country of departure.

In some cases, where articles were seized inland or internally, no origin or departure information is available.

Some of the data results may vary according to the reporting status of individual countries.

2.3 Missing Information

In early 2011, the WCO Secretary General sent out letters to all the Directors General of Customs and RILOs, inviting them to input seizure data, submit brief descriptions of the trends identified, and to provide original or digital photographs to illustrate any particularly interesting seizures in 2010.

As a result, 70 out of 177 WCO Member Customs administrations reported more than 23,700 seizures made in 2010 relating to counterfeiting and piracy. Other Customs administrations also provided seizure statistics and additional information to enhance our knowledge. It is nevertheless believed that lack of seizure data in some regions has prevented us from compiling a more comprehensive global picture, and has not enabled us to prepare in-depth threat assessments of every aspect, especially for routings, methods of concealment, cover loads, etc.

Although this was not the agreed procedure for data transmission, requests for electronic transfers to the CEN of data in the form of Excel tables met with the approval of the Secretariat.

The Secretariat wishes to thank all the countries participating in this endeavour and invites them to pursue further efforts to benefit the international Customs community and its partners.

We consider it essential to collect comprehensive data from Members on all seizures made, in order to more accurately assess the scale of the phenomenon worldwide, to be able to produce accurate analytical reports and to enhance the credibility of this Report with all the stakeholders and parties interested in the problem of counterfeiting and piracy, ranging from Customs administrations to the private sector and including other international organizations.

With more Members joining the CEN, there is a further need for better co-operation and co-ordination between Members to help in reducing illicit trade and developing risk management and/or risk analysis through information sharing.
3. GLOBAL REVIEW OF COUNTERFEITING AND PIRACY IN 2010

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 2010 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 euro in any individual case (authentic market value) have been taken into account for the analysis in this Report.

In the course of 2010, 70 Customs adminis-
Throughout 2010, the CEN received more than 23,700 seizures related to counterfeiting and piracy. Based on the established criteria, 23,477 of these seizures were considered for analysis in this report, totaling 151,701,051 pieces and 3,963 kg, valued at 1,463 million euros.

Almost all of these seizures were reported by Customs administrations. Only 113 of them were the result of joint efforts between Customs and Police or Customs and other enforcement agencies, with these items accounting for 9% of the total. This highlights the need for Customs to increase inter-agency cooperation with the Police and other agencies.

The regional pattern of seizures shows that the North America region, with 12,624 seizures (54%), was well ahead of the RILO Western Europe (RILO WE) region (6,418 seizures, 27%), the RILO Asia/Pacific (RILO A/P) region (1,692 seizures, 7%), and other regions.

(WCO ANNUAL REPORT 2010)
seizures, 7 %), and the Middle East region (1,206 seizures, 5 %). These four regions were responsible for 93 % of seizures reported to the CEN in 2010. The fact that the RILO WE region’s share has gradually slipped, from 76 % in 2004 to 27 % in 2010, implies that Customs administrations in other regions have made progress in their fight against counterfeiting and piracy.

Benin and Bahrain reported their IPR seizures to the CEN for the first time ever. Some countries such as the United States, Mexico, Saudi Arabia, Spain, Portugal and the Republic of Korea increased their inputs or reports significantly during the year.

In terms of seizure numbers by country, the top 10 list was led by the United States with 11,552 cases. Germany followed with 1,319 cases, and France accounted for 1,220 cases. Seizures reported by these countries made up 60 % of the total. The United States, Portugal and the Republic of Korea replaced China, the United Kingdom, and Hungary in the top 10 list in 2010.

The list of top 10 countries in terms of items is rather different. The United States, with 31 million pieces, was ahead of Saudi Arabia (17 million pieces) and Mexico was third with 16 million pieces. Items seized by the top 10 countries accounted for more than 77 % of the total.

A total of 3,332 seizures relating to accessories were reported, followed by textile articles with 3,263 seizures, phonographic...
products (2,827 seizures), electronic appliances (2,387 seizures) and mobile phones and accessories (1,654 seizures). There was a sharp increase in relation to computer accessories, electronic appliances, international sports events and games and toys.

In terms of articles seized, miscellaneous articles topped the list with 34 million pieces. These were followed by tobacco (18 million pieces), textile articles (16 million pieces), electronic appliances (15 million pieces) and accessories with 12 million pieces. In terms of weight, 3,963 kg of foodstuffs were also reported.

The total value (actual retail price) of 1.5 billion euro in 2010 is similar to the 2009 value. There was a significant increase of items in the tobacco sector. Due to the fact that there was no, or inadequate, price information 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 1,000 brands in 2010, although trademark information was not available in 50% of cases. In many cases, different types of articles of various brands were mixed together in one shipment.

Louis Vuitton was counterfeited in 604 seizures, followed by Apple (557 seizures), Nike (500 seizures), Adidas (439 seizures) and Hello Kitty (426 seizures).

In terms of number of items, as can be seen from the chart, BIC overtook Viagra (7 million pieces) at the top with 11 million pieces, followed by 5 million pieces for Walt Disney.

In terms of value, Louis Vuitton topped the list at 74 million euro, amounting to 5% of the total value. Nike remained second (70 million euro), followed by Legea (44 million euro), Adidas (44 million euro) and Rolex (33 million euro). The value of the top 10 brands is similar to the 2009 value, accounting for as much as 27% of all seized items.

**Departure countries**

While the information remained unknown in 1,788 cases, 118 countries were mentioned as the departure countries of all seized shipments. New countries on the list of departures are Nicaragua, Haiti and Guyana, with one seizure a piece.

A total of 13,661 cases, equivalent to 58% of seized shipments, departed from China. This was far more than from Hong Kong, China (4,497 shipments, 19%). India was third with...
806 cases, followed by the United Arab Emirates (356 cases) and the United States (198 cases).

In terms of seized items, 103 million pieces, equating to 68% of the total of counterfeit shipments, departed from China. The top 10 departure countries dominated, with 80% of departures for all items seized in 2010. Shipments departing from China comprising all types of goods in 2010 included miscellaneous (25%), electronic appliances (10%) and tobacco (12%). The items were distributed to 143 countries, with the top five being the United States, Saudi Arabia, the Democratic Republic of the Congo, Spain and Portugal.

### Destinations

More than 143 countries were the intended destinations of seized shipments in 2010, headed by the United States for 11,041 shipments, followed by Germany (1,213), Mexico (1,064) France (1,052) and Japan (904). Shipments heading for the top 10 countries made up 80% of total seizures.

### Transits

Based on the available information, articles in 2,980 (13%) seizures were intended for transit in third countries en route to their final destinations. Among them, 393 shipments were to be transited more than twice and 82 more than three times. A few had undergone as many as five transits before being finally stopped by Customs. This seems to be a strategy used by traffickers to disguise the actual origin and distract the attention of Customs agencies.

Of all those shipments using transit routes, a few rare shipments reached and were seized at their final destinations. Various locations in Germany were used as initial transit points in 783 cases, but most of the shipments were stopped there. The Netherlands was used as a transit point in 297 cases and most of the shipments were intercepted locally. Hong Kong, China seized 230 transit shipments passing through its territory. Italy seized 221 shipments in transit.

### Seizure locations

Seizures made at importation accounted for 90% (21,160 cases) of the total. Seizures made in transit accounted for 6% (1,466 cases). 693 (3%) internal seizures were reported by 19 countries. With regard to internal seizures, Hungary and Poland reported 190 and 180 cases, respectively, followed by Mexico (137 cases) and France (95 cases). These four countries are responsible for 84% of all 4,609 seizures made internally since 2004. Seizures (158 cases) at export reported by 18 countries accounted for 1% (in 2009, export constituted 14%). The reason for the decrease was a sharp fall in cases reported by Chinese Customs which mainly involve seizures at export.

The United States reported 101 cases of seizures at export in 2010, followed by Italy (10 cases), the Russian Federation (10 cases), France (8 cases) and Mexico (5 cases).

### Location types

Seizures carried out at airports accounted for 37% (8,767 cases) of the total. 27% (6,391 cases) were made at mail centres, 5,708 cases (24%) at seaports and 1,596 cases (7%) in inland. Only 2% of seizures were made at land borders.

In terms of items seized, consignments at seaports amounted to as much as 67% (102 million) of the total number of counterfeit shipments, followed by airport seizures (12%), inland seizures (12%) and seizures at mail centres (5%).

### Seizure locations

In 2010, 1,531 and 1,415 seizures were made in San Francisco (United States) and New York/
thought that the intention was to attach all these labels/signs to the counterfeit products once they arrived at their destinations.

**Concealment**

The 2010 situation was different to 2009. In 11,264 (48 %) out of 23,477 cases, goods were concealed inside mail such as postal or express packages. Based on the available information, 3,833 cases (34 %) involving mail were conveyed by express carrier. In 4,350 (19 %) cases, counterfeits were found concealed in freight. In 4,254 (18 %) cases, goods were not concealed, either because they were seized in the market place, or abandoned, or simply declared to Customs without concealment. 1,528 (7 %) cases were seized in baggage. 767 (3 %) cases were seized in transport. It is a different story in terms of seized units. 45 % of the goods were concealed in freight, and this was followed by means of transport (16 %). 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, 50 % (11,738) of the cases were found during routine checks, which have remained the most important method for Customs to detect this kind of trafficking. 7 % (1,762) of the total was the result of profiling, a 47 % decrease compared with 2009. This means that Customs needs more intensified implementation of risk management. Intelligence investigations and random checks led, respectively, to 1,108 cases (4 %) and 777 cases detected (3 %). 525 seizures (3 %) were the outcome of Customs documentary checks.

**Declared goods**

In 659 cases where the declaration status was indicated, articles in 520 cases were declared to Customs. In the context of non-declaration, the fake articles were not concealed in 38 cases. This is probably because in many countries, passengers are no longer obliged to submit written declaration forms and small quantities of articles for personal use – although possibly infringing intellectual property rights – are not subject to relevant national legislation.

Almost all of the seizures in 2010 were counterfeit products. In 726 cases, labels/signs were shipped in separate consignments. It is thought that the intention was to attach all these labels/signs to the counterfeit products once they arrived at their destinations.