



# [ Customs and IPR Report 2009



WORLD CUSTOMS ORGANIZATION



# 1. FOREWORD

I am pleased to introduce the 2009 annual report by the WCO on Intellectual Property Rights [IPR]. The content of this years report clearly indicate that IPR seizures by Customs continue to increase and that pirated and counterfeit goods particularly so those that have an adverse effect on consumer health and safety remain a significant concern. The global recession constrained legitimate trade and consumer spending during 2009. These conditions in turn appear to have led to a segment of the international market becoming increasingly vulnerable to the trade of IPR infringing goods.

Recently more than 170 containers with famous sport shoes brand were intercepted in Europe. The related right holder told us that the huge amount of production could not be possible from a legal perspective. This seizure indicates both the capacity of illicit production and potential demand for products of this type.

However at the same time it is also pleasing to note that during 2009 Customs have

responded to these changing global conditions in a proactive manner with a significant percentage of Members increasing surveillance for IPR infringing goods at international border crossings to protect both their revenues, brand holders rights and their citizens from harm. Working closely with brand holders, supply chain logistics' providers and other agencies with a role in IPR enforcement much has been achieved during the period of this report, but clearly the content of this years report indicates challenges still remain.

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 years report contains four chapters and a statistical annex. The first chapter covers the global aspects of counterfeiting and piracy. The second 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 lists the main events organized during the year by the WCO and its partners as part of the global fight against counterfeiting and piracy. As you will see the statistical data for 2009 confirms the evolving character of IPR violations. Whether it is in terms of the nature of the goods being counterfeited or the routes employed, international trafficking organizations continue to display their capacity to react to new market conditions and opportunities. With almost 13,280 seizures reported by Customs administrations in 2009, as compared to the 11,176 for 2008 (+ 19 %). Likewise a total of 291 million items were seized during 2009 compared with 225 million in 2008 (+ 29 %).

The data shows there is an increase in counterfeits endangering the health and safety of consumers especially in the area of pharmaceutical products. One interesting report from Asia concerned the seizure of 450 kg of trademark infringing medicines to treat blood pressure and cancer. Post seizure

analysis indicates this shipment had passed through seven countries on four different continents before interception by Customs after having been originally sourced from an online pharmacy in the Americas region.

Additionally there were 243 cases relating to counterfeit transport spare parts involving more than 38 million pieces were reported in 2009. This represents an increase of 127 % over the 107 cases reported in 2008. There was also an increase in counterfeits in the area of high tech goods (more than 5.7 million pieces of counterfeit electronic appliances – an increase of + 77 % over 2008; 770,000 pieces of counterfeit computer hardware and software – also an increase of + 91 % over 2008). The data reported showed significant seizures from postal and express packages involving small quantities but high value such as medicines, directly linked to Internet sales.

The WCO CEN system continues to prove its worth as a robust storage system for global seizures reporting. During this year the num-

ber of Members inputting seizure related data into the system continued to increase. Members contribution in reporting seizures involving at least 50 articles and/or 10,000 euro (authentic market value) enables the WCO to play a dynamic role in providing international statistics on IPR matters including trends, volumes and smuggling patterns.

The WCO has conducted, or is planning to conduct, large-scale IPR capacity building activities: 12 countries for diagnostic assessment, 5 regional seminars and 10 national seminars. Customs officers from more than 140 countries have been trained on IPR matters during 2009/2010. The WCO will continue its work in responding to requests for capacity building and training from Members made possible through a significant contribution to this area from Japan's CCF Members have maintained or increased outreach and involvement of the private sector during the year as part of the ongoing Customs to business partnership programs to build awareness and collaboration in relation to IPR protection.

In closing I would like to finish by taking this opportunity to congratulate, in particular, China, Italy, Saudi Arabia and Mexico on their significantly improved results for 2009. The significant increase in reporting of seizure cases reflects the reporting countries' strong political commitment to protecting IPR. I would also like to recognize the efforts of Oman, Syrian Arab Republic, Yemen, and Zambia, which reported their first results to the CEN system during this reporting period.



**Kunio Mikuriya**  
Secretary General  
World Customs Organization

## 2. APPROACH

### 2.1. Structure of the Report

The WCO has published five editions of its annual IPR Report since 2004. This sixth edition is intended for the use of WCO Members and 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 CEN (Customs Enforcement Network), 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 has 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 analysis.

This Report covers seizures made between 1 January and 31 December 2009 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 24 March 2010 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 or joint Customs/Police, at importation, exportation or in transit, in the commercial sector or in the context of an investigation into organized crime. Information for the year 2008 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 (based on the value of the genuine articles) in an individual seizure. Based on these criteria,

of the 15,950 seizures involving 291 million pieces and 198 tons of items made in 2009 and reported to the CEN, 13,280 seizures involving 291 million pieces and 198 tons 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 2009 were applied for all currencies.

Units used in this Report mostly refer to the smallest retail packages. Kilogram 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).

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 late 2009, 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 2009.



»» (Photo courtesy of Swedish Customs)

As a result, 70 out of 176 WCO Member Customs administrations reported more than 15,900 seizures made in 2009 relating to counterfeiting and piracy. Other Customs 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.

### 3. GLOBAL REVIEW OF COUNTERFEITING AND PIRACY IN 2009



» (Photo courtesy of Swedish Customs)

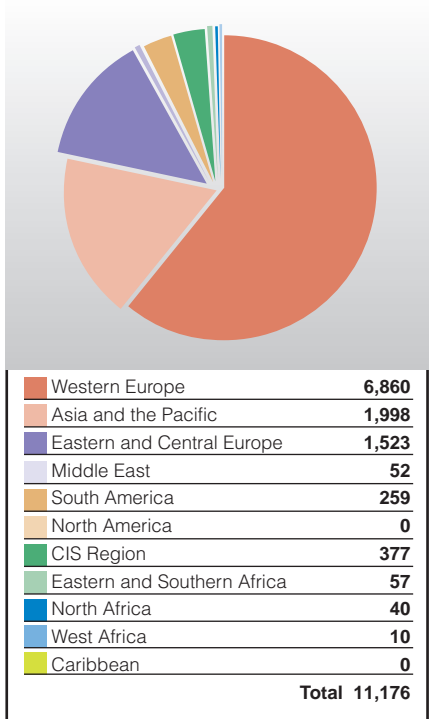
The negative effects of IPR infringements range from threats to public health and safety to loss of government revenues, as well as the huge damage done to legitimate trade and business. This section provides an overview of the global situation in respect of the main counterfeiting categories, trademarks,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

This report deals with information on seizures made from 1 January to 31 December 2009 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) have been taken into account for the analysis in this report.

In the course of 2009, 70 Customs administrations reported more than 15,900 seizures relating to counterfeiting and piracy to the CEN. Based on the abovementioned criteria, 13,280 of them have been taken into consideration for the analysis in this report, amounting to 291,005,670 pieces and 198,347

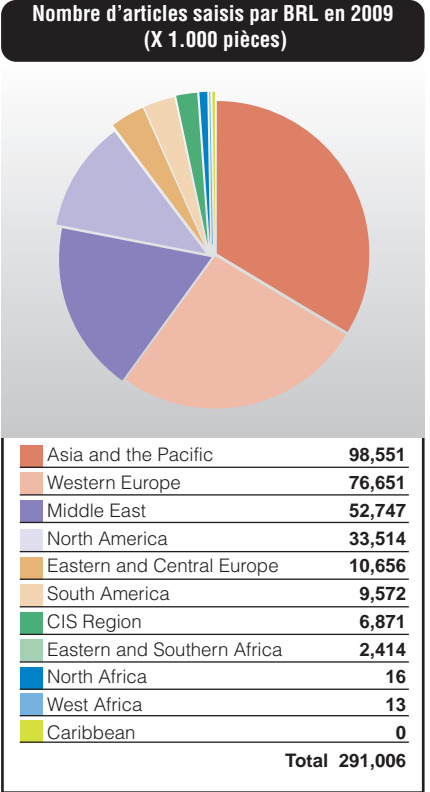
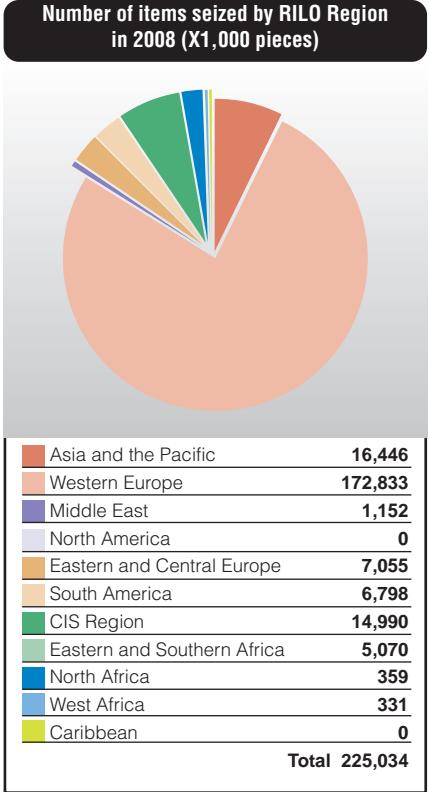
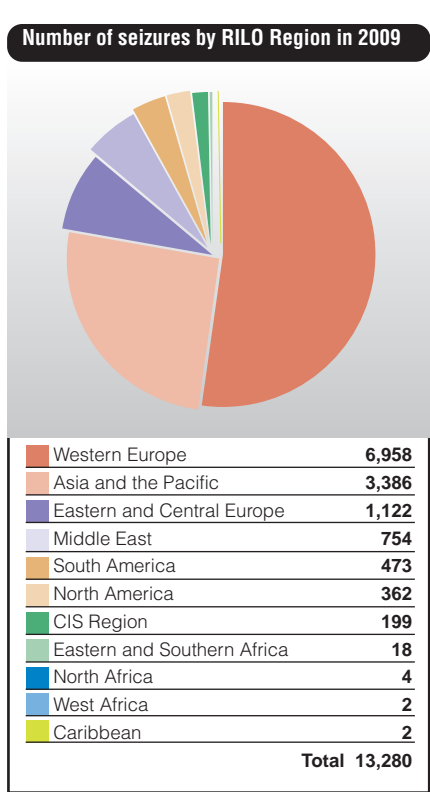
Number of seizures by RILO Region in 2008



kilograms, valued at 1,432 million euros.

Almost all the seizures were made and reported by Customs administrations. Only 178 of them were the result of joint efforts by Customs and Police, but the items seized accounted for 15 % of the total. This 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 6,958 seizures, was well ahead of the RILO for Asia and the Pacific (RILO AP) region (3,386 seizures, 25 %), the Eastern and Central Europe (RILO ECE) region (1,122 seizures, 8 %), and Middle East region (754 seizures, 6 %). These four regions were responsible for 92 % of seizures reported to the CEN in 2009. The fact that the RILO WE region share has gradually slipped, from 76 % in 2004 to 52



% in 2008, implies that Customs administrations in other regions have made progress in their fight against counterfeiting and piracy.

Oman, Syrian Arab Republic, Yemen, and Zambia reported their IPR seizures to the CEN for the first time ever. Some countries

such as China, the United Kingdom, Italy, Saudi Arabia, Mexico, Chile, and Kuwait increased their inputs or reports significantly in the year.

In terms of seizure numbers by country, the top 10 list was led by China with 1,752 cases; Germany followed with 1,429 cases,

and the United Kingdom accounted for 1,322 cases. Seizures reported by these countries made up 24 % of the total. China, Italy, Saudi Arabia, and Mexico replaced the United States, the Republic of Korea, the Netherlands, and Russian Federation in the top 10 list in 2009.

The list of top 10 countries in terms of items is rather different. China, with 92 million pieces, is ahead of Qatar (35 million pieces), and Mexico is third with 34 million pieces. Items seized by the top 10 countries accounted for more than 83 % of the total.

A total of 2,502 seizures relating to textile articles were reported, followed by accessories with 1,749 seizures, pharmaceutical products (1,371 seizures), footwear (1,187 seizures), and electronic appliances (851 seizures). There has been a sharp increase in relation to spare parts, mobile phones and accessories, toiletries/cosmetics, and electronic appliances.

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

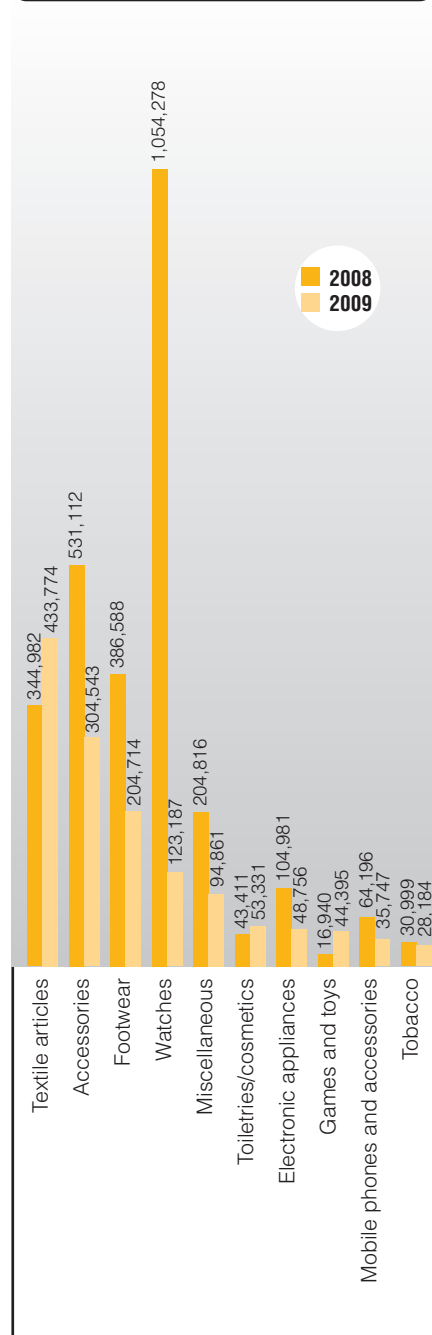
Country	2008	2009
China		1,752
Germany	1,473	1,429
United Kingdom	1,049	1,322
France	1,121	1,213
Japan	871	920
Italy	117	816
Spain	812	563
Saudi Arabia	5	437
Hungary	527	430
Mexico		362

**Top 10 Countries in terms of seized items (X1,000 pieces)**

Country	2008	2009
China		91,739
Qatar	360	35,282
Mexico		33,514
Italy	10,888	21,830
Spain	14,004	18,341
Saudi Arabia	2	15,670
Malta	3,023	7,936
Russian Federation	14,990	6,817
Netherlands	78,123	5,772
France	7,074	4,358

In terms of articles seized, miscellaneous was top with 101 million pieces. This was followed by spare parts with 38 million pieces, accessories (28 million pieces), textile articles (27 million pieces), and tobacco

Top 10 Value of seized items (1,000 euros)



with 27 million pieces. In terms of weight, 198 tons of foodstuffs were also reported.

The total value (actual retail price) of 1.4 billion euros in 2009 represented a 52 % decrease compared to 2008. There has been a significant increase of items in textile articles and games and toys sectors. 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 1,300 brands in 2009, although trademark information was not available in 20 % of cases. In many cases, different types of articles of various brands were mixed together in one shipment.

Eli Lilly was counterfeited in 628 seizures, followed by Nike in 554 seizures, Viagra (459 seizures), Adidas (437 seizures), and Nintendo (373 seizures).

In terms of number of items, as can be seen from the chart, Rose overtook Marlboro at the top with 34 million pieces, followed by 14 million pieces of Kiwi.

In terms of value, Louis Vuitton topped the list at 213 million euros, amounting to 15 % of the total value, Nike remained second (84 million euros), followed by Hello Kitty (83 million euros), Adidas (67 million euros), and Puma (48 million euros). The value of the top 10 brands decreased by 21 % compared to 2008, accounting for as much as 56 % of all seized items.

### Origins

Based on available information, 99 countries were identified as the origin of at least one seizure, 8 more than in 2008. As many as 7 countries appeared on the list for the first time

Top 10 Counterfeited brands (by number of seizures)

Trademark	2008	2009
Eli Lilly	439	628
Nike	455	554
Viagra	500	459
Adidas	495	437
Nintendo	176	373
Nokia	201	321
Louis Vuitton	297	263
Rolex	192	253
Chanel	269	252
Sony	137	220

Top 10 Counterfeited trademarks (X1,000 pieces)

Trademark	2008	2009
Rose		33,500
Marlboro	16,658	15,110
Kiwi		13,600
Viagra	4,161	8,301
Patta		6,500
BIC	4,994	6,431
Philips	71,415	6,078
Adidas	3,101	5,914
Nike	2,947	4,907
Zhigulevskoye		3,762

Top 10 Counterfeited trademarks (X1,000 euros)

Trademark	2008	2009
Louis Vuitton	80,269	212,973
Nike	131,750	83,865
Hello Kitty	8,841	82,994
Adidas	115,623	67,364
Puma	30,037	48,331
Chanel	129,654	42,207
Rolex	241,753	32,336
Armani	23,095	30,934
Crocs	151,135	27,330
Kiwi		27,202



**Top 10 Origins  
by seizure numbers**

Country	2008	2009
China	3,938	5,544
India	600	983
Hong Kong, China	369	571
Turkey	234	188
Thailand	246	175
Seychelles	59	100
United Arab Emirates	104	86
Pakistan	59	63
Italy	63	58
United States	73	56

**Top 10 Departure countries  
by seizure numbers**

Country	2008	2009
China	5,119	6,983
India	547	949
Hong Kong, China	639	871
Turkey	329	247
United Arab Emirates	167	245
Thailand	368	244
Rep. of Korea	258	186
Seychelles	60	100
United States	108	84
Argentina	29	74

**Top 10 Destination countries  
by seizure numbers**

Country	2008	2009
United Kingdom	1,127	1,393
Germany	1,218	1,151
France	927	1,006
Japan	843	944
Italy	148	863
Spain	856	652
Saudi Arabia	6	460
Hungary	500	425
Chile	149	333
Australia	193	333

since 2004. These included Montenegro, Andorra, Iceland, Dominica, Antigua and Barbuda, Lao People's Democratic Republic, and Yemen.

Similarly to previous years, China was the country of origin in 5,544 out of 13,280 cases, namely 42 %, followed by India (983 cases), Hong Kong, China (571), Turkey (188), Thailand (175), and Seychelles (100). The country of origin in 4,897 cases remained unknown. Seychelles replaced Vietnam in the top 10 this year. Seized shipments originating in the top 10 countries constituted 60 % of the total.

**Departure countries**

While the information remained unknown in 2,130 cases, 122 countries were mentioned as the departure countries of all seized shipments. A new country on the list of departures is Oman, with one seizure.

A total of 6,983, equivalent to 53 % of seized shipments, departed from China, far more than from India (949 shipments, 7 %). Hong Kong, China was third with 871 cases, followed by Turkey (247 cases), and United Arab Emirates (245 cases).

In terms of seized items, 184 million pieces, 63 % of the total of counterfeit shipments, departed from China. The top 10 dominated, with 87 % of departures for

**Top 10 Departure countries  
(X1,000 pieces)**

Country	2008	2009
China	152,999	184,152
Malaysia	412	35,052
Unknown	22,260	23,984
United Arab Emirates	7,435	11,839
Egypt	4,333	4,728
Ukraine	485	3,937
Turkey	2,257	3,773
India	3,152	3,184
Hong Kong, China	5,101	2,517
Guatemala	0	2,392
Rep. of Korea	87	2,172

all items seized in 2009.

Shipments departing from China comprised all types in 2009; they included miscellaneous (46 %), textile articles (10 %), and tobacco (9 %). The items were distributed to 143 countries, with the top five being Bangladesh, Mexico, Guinea, the United Arab Emirates, and Saudi Arabia.

**Destinations**

More than 151 countries were the intended destinations of seized shipments in 2009, headed by the United Kingdom for 1,393 shipments, followed by Germany (1,151), France (1,006), Japan (944), and Italy (863). Shipments heading for the top 10 countries made up 57 % of total seizures.

**Transits**

Based on available information, articles in 2,378 (18 %) seizures were intended for transit in third countries en route to their final destinations. Among them, 108 shipments were intended to be transited more than twice and 20 more than three times. A few had 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 origin and distract the attention of Customs agencies.

Of all those shipments using transit routes, 1,929 shipments reached and were seized at their final destinations. This means 449 shipments out of 2,378 (20 %) were intercepted en route to their destinations.

**1<sup>st</sup> Transit countries**

Country	2008	2009
Germany	869	662
Netherlands	443	286
Hong Kong, China	144	251
France	217	240
Chile	63	96
Belgium	83	93
Mexico		68
Finland	44	57
Spain	130	54
Greece	42	45

This shows that where it is possible to do so more enforcement actions for goods in transit could be effective in detecting counterfeiting and piracy.

Various locations in Germany were used as initial transit points in 662 cases, but most of the shipments were stopped there. The Netherlands was used as a transit point in 445 cases and most of the shipments were intercepted locally. Hong Kong, China seized 251 transit shipments passing through its territory. French Customs seized 240 shipments in transit.

**Directions**

Seizures made at importation accounted for 70 % (9,310 cases) of the total. Seizures made in transit accounted for 10 % (1,310 cases). 846 (6 %) internal seizures were reported by

14 countries. With regard to internal seizures, Hungary and Poland reported 383 and 230 cases, respectively, followed by France (105). These three countries are responsible for 84 % of all 3,901 seizures made internally since 2004. Seizures (1,820 cases) at export reported by 19 countries accounted for 14 % (in 2008, export constituted only 1 %). This increase demonstrates that Customs are enhancing their enforcement.

China reported 1,743 cases seized at export in 2009, followed by the Russian Federation (18 cases), the Republic of Korea (13), and the United Kingdom (10).

**Location types**

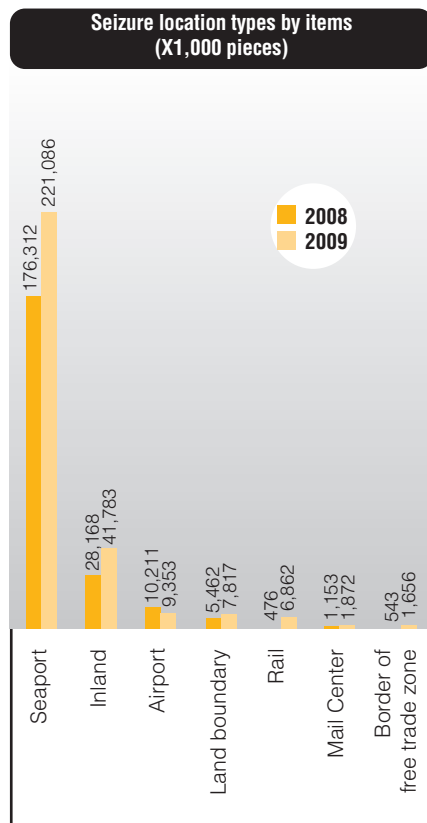
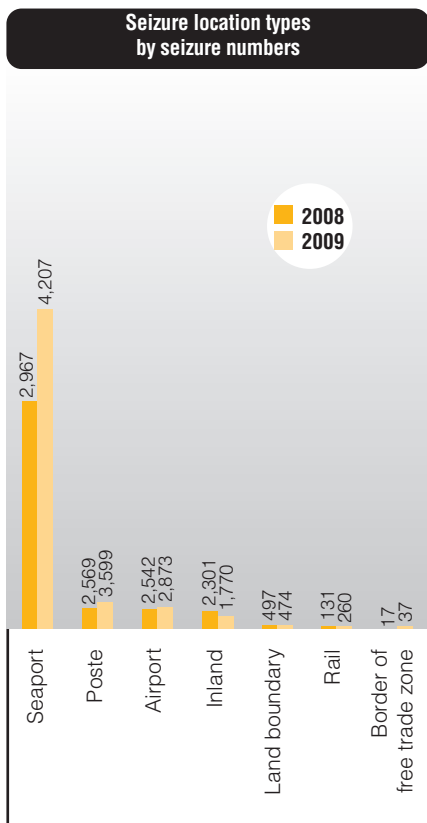
Seizures carried out at seaports accounted for 32 % (4,207 cases) of the total; 27 % were made at mail centres, 2,873 cases (22 %) at

airports and 1,770 cases (13 %) inland. Only 4 % of the seizures were made at land borders.

In terms of items seized, consignments at seaports amounted to as much as 76 % (221 million) of the total number of items seized, followed by inland seizures (14 %), seizures at airports (3 %) and at land borders (3 %).

**Seizure locations**

In 2009, 627 and 610 seizures were made in Paris, France and Frankfurt, Germany, respectively. Coventry, the United Kingdom was next with 529 cases, then London, the United Kingdom with 471 seizures. Seizures made at the top 10 locations accounted for one third of the total for the year.



**Top 10 Seizure locations (seizure no.)**

Location	2008	2009
Paris	623	627
Frankfurt	433	610
Ningbo		534
Coventry	1	529
London	430	471
Budapest	421	340
Shanghai		312
Shenzhen		307
Tokyo	281	247
Osaka	85	203

**Infringement types**

10,666 cases (80 %) related to trademark infringement, far more than to copyright (14 %). 565 cases (4 %) involved patents. There were 137 cases (1 %) relating to design and model rights. 7 cases were reported in relation to geographical indications. Several rights were frequently infringed at the same time.

Almost all of the seizures in 2009 were counterfeit products. In 975 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.



### Concealment

As in 2008, in 5,965 (45 %) out of 13,280 cases, goods were concealed in freight. In 3,680 (28 %) cases, counterfeits were found concealed inside postal or express packages. In 1,609 (12 %) cases, goods were not concealed, either because they were seized in the market place, or abandoned, or simply declared to Customs without concealment. 628 (5 %) cases were seized in transport. The story is different in terms of seized units. 66 % of the goods were concealed in freight, and this was followed by transport. 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, 56 % (7,380) of the cases were found during routine checks, which have remained the most important method for Customs to detect this kind of trafficking. 25 % (3,361) of the total was the result of profiling, a 95 % increase compared with 2008, due to intensified implementation of risk management. Customs documentary checks and random checks led to 795 cases detected (6 %) and 649 cases detected (5 %), respectively. 417 seizures (3 %) were the outcome of intelligence investigations.

### Declared goods

In 805 cases where the declaration status was indicated, articles in 591 cases were

declared to Customs. In the context of non-declaration, the fake articles were not concealed in 80 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.

The declared goods included handbags (HS 4202), toys (HS 9503), shoes (HS 6404), ladies nightdresses (HS 6108), towels of cotton (HS 6302), men's toilet water (HS 3303), and umbrellas (HS 6601). In cases of declaration to Customs, counterfeit goods are frequently declared fraudulently as these falsified goods.