

[Counterfeit and piracy](#)

A serious problem for everyone

Counterfeiting is a growing and increasingly dangerous phenomenon. The statistics of seizures for 2005 confirm an existing trend. Counterfeited and pirated articles threaten the health and safety of EU citizens, their jobs, Community competitiveness, trade, and investment in research and innovation.

In 2005, EU Customs seized more than 75 million counterfeited and pirated goods and handled more anti-counterfeiting cases than ever before. A total of 26 000 cases were dealt with in 2005, up 20% from 2004.

Despite this enhanced Customs activity the number of articles seized was about 25% down on the 2004 figure although some sectors have seen important increases. For instance the number of dangerous foodstuffs has risen by more than 20%. For the first time ever, more than 5 million counterfeit foodstuff, drinks and alcohol products were seized, most of them by Customs protecting the EU's external borders. And fake goods which put health and safety at risk are made and sold in ever greater numbers.

Most fakes are now household items rather than luxury goods and the high quality of fakes often makes identification impossible without technical expertise. The increasing use of the internet to sell fakes (mainly medicines) increases the challenge customs face.

One of the reasons for this explosion in trade in fakes is that criminals can now produce them on an industrial scale. This provides not only increased profits but also a new mechanism for efficient money laundering. Terrorist groups also commonly become involved in counterfeiting and piracy as a means of financing their activities. In fact, all international criminal organisations are now involved in counterfeiting.

Further information on recent seizures, the origin of counterfeit goods, and the economic implications is to be found in [IP/06/1541](#) and [MEMO/06/421](#).

Fraud and the role played by international criminal organisations

The large amounts of money invested by criminal organisations in industrial logistics (in order to increase both the quality and the quantity of production) today enables them to produce counterfeit or pirate products that are increasingly difficult to detect. In some countries, factories built specifically to make or process counterfeit goods are an increasingly common sight, as are open air markets in which virtually the only goods sold are fakes. In addition, a counterfeit's price can be fixed higher than the original's price, so that an

abnormally low price does not draw the attention of the authorities or the right holders. There are now few doubts regarding the implication of international criminal organisations in the worldwide trafficking of counterfeit and pirate goods. International traffickers often make use of free zones to tranship goods, and these free zones are fertile ground for importing and exporting counterfeit and pirated items. These activities have become a source of income in exactly the same way as narcotics, theft and arms dealing. To make a comparison, a kilo of cannabis leaf will fetch 2000 euros in Europe, whilst a kilo of pirate or counterfeit CDs will fetch 3000 euros.

These organisations are now better structured and more professional, and use the same techniques to move goods infringing intellectual property rights across borders as they do for narcotics. Therefore, they must secure a route through which all types of traffic will pass.

The routing of bulky consignments containing commercial counterfeit or pirate articles throughout the world requires particular care on the part of these organisations, to prevent their seizure. They must try to thwart customs vigilance by "breaking" their way through from the area of production to the area of supply, avoiding direct paths that are well known to the services specialised in this type of fraud. This technique is called "breaking bulk", and consists of concealing the product's origin by passing it through several other territories, thereby focusing the attention of the customs administrations on the immediate source rather than the actual origins of the product.

Through this method, fraudulent goods produced in Asia are transported by boat towards a country known for not making any counterfeits, from where they will set out again by plane towards their final destination. They are thus able to escape the principal control criterion - what could be termed the 'geopolitics' of fraud.

As the new techniques and stringency employed in customs control develop, so do those techniques used by defrauders. Many cases of using 'hidden' methods have been discovered, such as the discovery of double bases in containers or in bags to conceal counterfeit or pirate products. Other frequently employed techniques include mixing authentic products and fakes in the same consignment.

The responsibility of EU citizens

Without doubt, one of the principal methods of dispersing counterfeits is the "Ant-like" traffic of tourists returning home from holiday, bringing back souvenirs. Each year, tens of millions of articles are transported by passengers worldwide, often unaware of their involvement in the trafficking, but enabling criminal organisations to profit nonetheless.

Generally speaking, victory over this plague comes through an increase in the collective awareness of the dangers that it presents. According to a survey carried out by M.O.R.I. (Market and Opinion Research International), 40% of people questioned would contemplate buying counterfeits.