

Counterfeiters' Holiday Payday: Real Money for Fake Goods

NEW YORK (December 22, 2006) - In a holiday season brimming with finicky shoppers, aggressive markdowns and tough competition, retailers are facing pressure from the counterfeit and knockoff market — especially in jewelry, accessories and apparel.

Based on holiday sales projections and worldwide counterfeit statistics, FN estimates that sales of counterfeit apparel and accessories could account for as much as \$32 billion this holiday season and, according to experts, are trending up 6 percent over last year.

Major metropolitan markets in the U.S. are the most problematic, and New York leads the pack as tourists flock to the city during the holiday shopping season. Online sales of counterfeits and knockoffs also are making life difficult for brand owners and their retail partners.

Brand owners are acutely aware that holiday shoppers generate a good portion of counterfeit sales each year. "Most trademark owners ask for extra enforcement efforts from the NYPD as well as from the attorneys who run their civil programs [around the holidays]," said Brian Brokate, partner at Gibney, Anthony & Flaherty, a New York firm that does anticounterfeiting work for clients. "The goal is to cut down on the number of counterfeit items viewed on the streets as well as in places like Chinatown, so that the customer for the legitimate product is not bombarded with counterfeit versions of the genuine items."

The global counterfeit market has shown no sign of abating in recent years. Counterfeit goods account for an estimated \$600 billion in annual sales worldwide, according to industry organizations.

Apparel and accessories accounted for 45 percent of the counterfeit goods seized by the U.S. Customs and Border Control at midyear of fiscal 2006. New statistics are due out soon from Customs, but figures so far for the second half of 2006 show that apparel, footwear, handbags, wallets, backpacks and computer hardware were the top commodities seized by value, according to a Customs spokeswoman. An estimated 75 percent of goods seized originated in China.

"Intellectual property rights are a growing problem and we are very concerned with seizing goods that violate intellectual property rights," she said.

Sales of counterfeit apparel and accessories mirror seasonal shopping patterns. Because people are doing more shopping in general, especially for watches, shoes, handbags and jewelry, which are common counterfeit targets, sales of the fake brands naturally increase around the holidays, said Travis Johnson, associate counsel for the International Anticounterfeiting Coalition. Shoppers' habits don't change just because the holidays roll in, he pointed out.

Despite the year-round efforts of New York law enforcement and government officials to crack down on sales of counterfeits in places such as New York's Chinatown, a walk-through earlier this month by FN of the area around Canal Street and Broadway revealed a host of bogus versions of popular luxury brands. Fake Dolce & Gabbana

and Chloé handbags were especially prevalent in stalls in Chinatown. One stall vendor said this was due to the recent arrival of a new shipment of goods. Among the more popular counterfeits this season are Coach, Louis Vuitton, Prada, Kate Spade and Fendi.

In the weeks leading up to Christmas, when retail stores saw slowing traffic, the streets in Chinatown were crowded with shoppers standing three and four deep at sidewalk stalls. Handbags, leather goods, shoes, apparel, jewelry and perfume filled vendor stalls, often at prices that signal illegitimacy. Luxury handbags that retail for \$500 to \$1,000 were being sold for \$10 to \$30.

In New York, where there is a task force dedicated to trademark counterfeiting enforcement, legal actions escalate around the holidays due to the increase in both the volume of shoppers on the street and the volume of goods available as people shop for gifts, sources said.

Rob Holmes, president of ipcybercrime.com, a company that conducts online counterfeit investigations, said counterfeiters are creating Christmas-theme Web sites. Replica watch sites selling counterfeit and knockoff products put up temporary seasonal sites decorated with holly or other Christmas decorations to attract holiday shoppers. Some even use a URL that incorporates holiday words or terms into the actual address.

Just like the business on the street, online sales of counterfeits are driven by demand. "Demand and supply go hand in hand. There is so much demand right now for everything," Holmes said.

By LIZA CASABONA