

Real or fake?

Counterfeit merchandise can threaten your safety and fund crime

Whether it's adulterated medicine that can kill you, bogus batteries that can burn you, or wannabe Guccis that simply wear out fast (though you may look stylish for a while), counterfeit merchandise is everywhere. In 2006, a record year for seizures, 14,000 shipments of counterfeit merchandise were confiscated. Figures for 2007 were high as well.

Because today's fakes are not just the usual knockoffs, you need to take special precautions when you shop.

A WIDESPREAD PROBLEM

"If they make it, they fake it," says Caroline Joiner, executive director of the Global Intellectual Property Center, run by the U.S. Chamber of Commerce. "Every product in every industry is vulnerable."

Fakes include truly unsafe merchandise. Investigators have seized brake pads made of kitty litter, sawdust, and dried grass; power strips, extension cords, and smoke alarms with phony Underwriters Laboratories (UL) marks; medical test kits that give faulty readings; toothpaste made with a chemical found in antifreeze; and cell-phone batteries that could explode. Online drugstores claiming to operate from Canada but actually based in other countries have peddled "Lipitor" and "Celebrex" pills stored under uncontrolled conditions and containing the wrong active ingredients.

That's just for starters. Among the counterfeit merchandise is some you would suspect: handbags, clothes, watches, and amusingly renamed colognes such as Essey Miyami instead of Issey Miyake. But there are also surprising fakes: golf balls, oil filters, and baby formula, for example. With some, the low price is a giveaway (a \$2,000 Prada purse for \$35?). Others are priced close to retail to fool you.

Vendors still peddle counterfeit merchandise on city streets, of course. When we sent a reporter to see what he could find in New York, he ended up in a decrepit building with false doors, movable walls, and 20 or 30 women sewing clothes. It was there, and on nearby streets, that he bought some of the fakes pictured in this report.

In large part, though, "the days when you bought a fake watch from a guy with an open raincoat are part of the past," says Vaughn Volpi, president of the PICA Corp., a loss-prevention and consulting company that trains government inspectors to spot counterfeit merchandise and goes undercover to catch the sellers. A Yahoo search for "cheap Gucci handbags" returned almost 1 million results, including ads touting prices too good to be true. Truth is, Gucci discounts only at its factory outlets and rarely at its regular stores.

Counterfeit merchandise is also sold where people meet in person: flea markets, salons, swap meets, college campuses, libraries, and "purse parties" in private homes, at which a dealer shows merchandise.

Scott Wolfson, a spokesman for the Consumer Product Safety Commission, says that it's rare for counterfeit merchandise to be sold in well-known walk-in stores. "The one area of concern in recent years," he says, "has been lithium-ion batteries." Some counterfeit batteries, he says, have made their way to legitimate distributors.

It's not a crime to buy fake goods, but counterfeiting and piracy of intellectual property are crimes, policed by a complex partnership of manufacturers and federal agencies, including the departments of Homeland Security, Commerce, and Justice; the State Department; and the Office of the U.S. Trade Representative. Customs and Border Protection officers and import specialists target and seize counterfeit merchandise at the nation's 326 ports of entry and mail facilities. Counterfeit merchandise is estimated to cost legitimate businesses up to \$250 billion in yearly sales.

When offenders are snared, they face fines of up to \$5 million, imprisonment of up to 20 years, seizure of anything that was used in the commission of the crime, and seizure of the proceeds. Civil penalties can also be assessed.

Targeted companies are eager to tell investigators what flaws to look for when inspecting imports, but few are willing to talk on the record, says Rob Holmes, chief executive officer of IPCybercrime.com, which conducts sting operations with industry and government partners to shut down counterfeiters. They fear that any mention of their company's name in the same breath as "counterfeit" will harm the brand's image. Indeed, some companies we contacted, including Prada and Chanel, didn't answer requests for comment on counterfeit merchandise.



**We help you tell the bogus from the bona fide.
 (The products pictured here? All fakes.)**