

SUN MEDIA  
SPECIAL

# Buyer Beware!

The increasing counterfeit trade has risen from an annoyance to a danger for consumers



Walking into a crowded shop of jackets, shirts, pants, belts and other accessories, the names and readily identifiable coloured logos of Hugo Boss, Gucci, Guess and Chanel hang from every hook.

Beneath the glass counter is a mix of purses that would normally fetch triple- and even quadruple-digit prices.

Seeing two shoppers look closely at a white bag with gold "G" fasteners and buckles, the clerk approaches.

"Forty dollars," she says.

Next door, T-shirts emblazoned with the logos of Ralph Lauren and Burberry are going "three for \$10."

Take a stroll through the strings of crowded shops in any Canadian market and the bargains may simply be too good to be true, experts will tell you.

Illustrating how prevalent and pervasive counterfeit products have become across

the country, a brand-identity expert recently set loose a small team of mystery shoppers in a 20-block radius of Toronto's core.

Tagging along with one researcher, Sun Media was shown everything from convincing knock-offs to laughable imitations of designer products that are normally on a shelf beyond most consumers' reach.

Back-to-school supplies along one strip of shops included *Peanuts* bookmarks featuring the familiar-looking beagle. Anyone in need of a bookmark would quickly notice the brand-name "SROOPY" doesn't quite make the grade. Elsewhere, Hugo Boos cologne and Calvin Klain underwear were available at stinking low prices.

Purses in several shops ranged from detailed imita-

tions with accessories and zippered internal pockets to sloppy attempts at trying to fit into the general appearance of high-end bags.

"Slap a 'G' on a bag or sunglasses and it could look like Gucci, Guess, Dolce & Gabbana..." said Caroline Wilson, a researcher with Corbin Partners Inc.

Looking at a pair of sunglasses beneath the bright

lights of a shopping mall, dried glue can be seen seeping out from under just such a letter along the arm.

Wallets sporting Roots logos and backpacks splashed with Porsche insignias look like the real thing, but pick them up and the leather has a vinyl toughness.

Many of the products are bought and sold in a nudgenudge wink-wink world where shoppers know exactly



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NATIONAL BUREAU

what they're getting for their money. Who's going to think they're walking away with a real pair of Louis Vuitton sandals for \$35?

"You know these are pretty impossible prices," points out Ruth Corbin, CEO of Corbin Partners, who has fought on behalf of brand-name companies including Victoria's Secret, Toblerone and Kinder Chocolate to keep imitation products off the market.

But such projects have simply become the pretty face (bad stitching aside) of a complicated industry with some very ugly sides. The world of counterfeiting has become increasingly blurry as it's grown, and Canada has developed a reputation around the world as a fertile market for all things faux. Fake items

## Safety risk

A federal parliamentary committee weighed in on the issue recently and warned that counterfeiting not only harms the brand-name companies, but is also a health and safety risk costing billions of dollars to the Canadian economy and funnelling money into organized crime.

A spokesman from Gucci Group, which oversees the Gucci brand name along with

several other lines, said they have resorted to holding tutorials for customs agents and law enforcement around the world to discern between a load of counterfeits and the real deal.

"Buying a fake bag is not a joke," said the spokesman from Italy. "It is a serious business connected with criminal activities and we take the fight against counterfeiting very seriously."

The country was recently targeted by Hollywood for being too lax on video piracy. A survey earlier this year commissioned by the Canadian Anti-Counterfeiting Network suggests Canadians are three times more likely to buy counterfeit goods than Americans.

The public, it seems, hardly bats an eye.

In a summary of their undercover outing, Corbin's researchers described their

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For more on this story go to  
[canoe.ca/counterfeit](http://canoe.ca/counterfeit)

trip as typical.

"Mystery shoppers concluded their job by noting that nothing in their shopping trips had felt eerie or remarkable ... Mis-branded goods, potentially counterfeited or unauthorized, are evidently part of everyday life in Canada's largest marketplace — not only in flea markets or back alleys, but in tax-paying popular retail establishments."

On the more dangerous side of counterfeiting, fears of fake medicine exploded into the consciousness of Canadians after a Hamilton pharmacy was shut down for selling bogus medicine to patients and a probe was struck into the deaths of five heart patients. In other cases, legitimate products that are pulled from shelves after a "sell by" date somehow find their way back into other stores. In just a few hours, Corbin's shoppers found discounted Tempra medication at a dollar store with an expiry date from last March.

The U.S. Trade Representative has put Canada back on a special watch list with the demand that it crack down on so-called intellectual property infringements.

A federal group involving a number of departments and agencies in Ottawa is looking for ways to ensure real legislative teeth for these ersatz times.

RCMP Supt. Ken Hansen has seen the counterfeit industry mushroom in the past five years from the typical trade in fake Rolexes to household items that can be health and safety hazards.

"It's not just luxury goods anymore," said Hansen. "We're investigating counterfeit chainsaws."

Along with outdated legislation, Hansen said police simply don't have the resources to address the problem.

Conducting about 400 counterfeit investigations a year along with a variety of

other issues, Hansen's federal enforcement branch is only reaching the tip of the iceberg, he said.

As such, they focus on issues more serious than the bad sewing job on a pair of fake designer jeans.

"One of the biggest problems we're having is with counterfeit batteries," he said. "In Quebec last year they seized over four tonnes of them."

Fake extension cords and bogus medicines are others, he said. Two months ago it was fake Colgate toothpaste containing a dangerous chemical normally used in antifreeze that found its way from China into some local discount stores.

### Virtually identical

Hansen said many of the products are virtually identical in appearance, but carry serious hazards undetectable even to him when they're sitting on a store shelf.

In the case of batteries, legitimate ones are made with a vent that allows gases to escape as the battery is used. Counterfeiters, like consumers, can't see that tiny vent, so they don't build one in when they're making cheap imitations. The result is an exploding cell.

An extension cord might look legitimate in every way from the outside, but counterfeiters save money by using telephone wires inside that can't handle the electric current and heat up far more than approved, wider-gauged cords.

The growth in the industry has also meant that more fake products are finding their way beyond the flea markets and onto the shelves of national retail chains, Hansen said. In many cases, the retailers aren't even aware they're selling a sham.

Looking higher up on the supply chain of such products, Hansen said some counterfeits are simply a case of legitimate products made for distribution in another country. Others are a case of a crooked manufacturer run-

ning an assembly line for an extra graveyard-style shift to produce unofficial versions of products virtually identical to the real thing. In such cases, however, the result might be cigars made from tobacco shavings swept off the floor.

The majority of such goods come from Asia, and China in particular, experts say.

The Retail Council of Canada took up the cause this January at the request of many concerned members. The council recently organized a conference to discuss the issue and has assembled a retail organized crime task force.

The chairman of that task force, Rita Estwick, cites FBI estimates that the counterfeiting trade costs legitimate North American business \$40 billion a year.

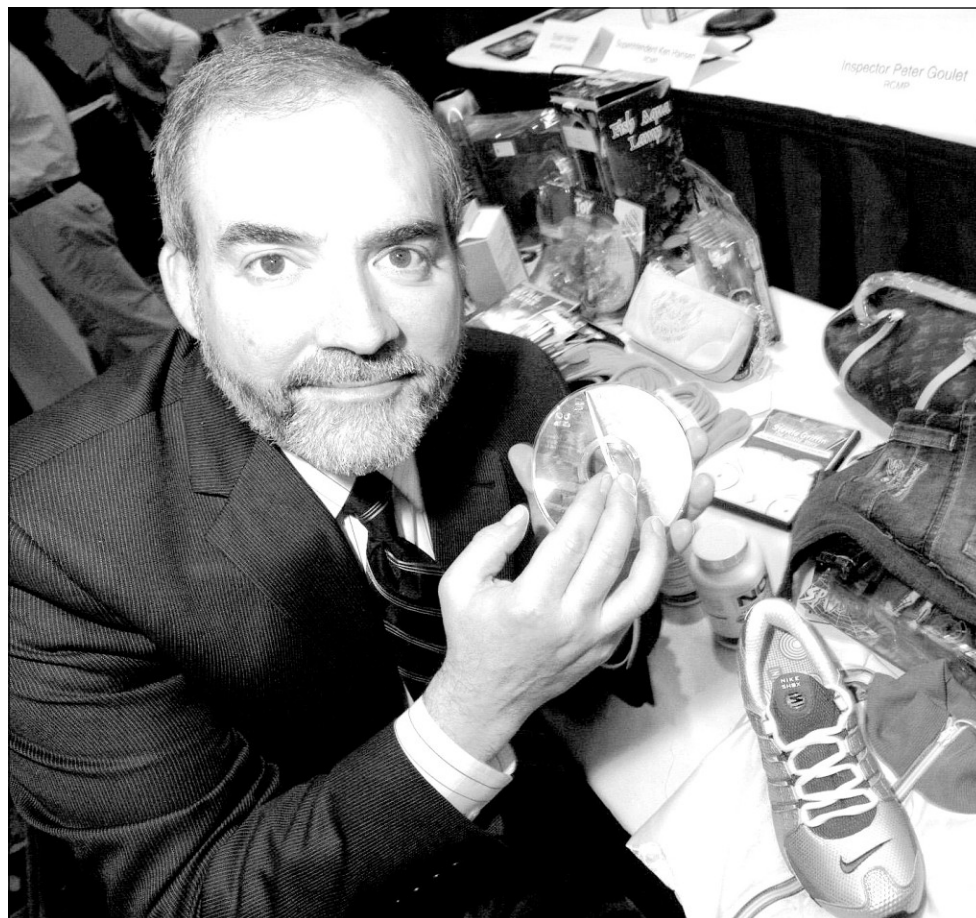
Stressing the greater societal costs, however, Estwick goes for the hard sell and refers back to findings that link some counterfeiting to organized crime.

"If the average consumer understood the real implications of purchasing that \$10, \$20 bag, whatever ... In buying that purchase, you're lending to drugs, weapons, terrorism," she said. "That's what's happening here. It's putting drugs in your playground where children play. If the average consumer really understood that, they wouldn't purchase it."

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## HOW TO SPOT COUNTERFEIT ITEMS

- Check for misspelled labels and logos;
- If the price is too good to be true, then it probably is;
- Brand-name products packaged with other goods (one example found recently was Colgate toothpaste in a travel-pack with an unrelated toothbrush) are likely suspect;
- Ask the clerks if it's real or not (they can often be quite forthright);
- Look twice at the logos for flaws such as miscolouring or jumbled details;
- Look at quality issues such as zippers, crooked stitching, glued lining, packaging details;
- Check for source of origin and ask yourself if that sounds legitimate;
- On designer jeans, etc., check for individualized details such as a stock number on the label that is often specific to that article (knock-offs will often carry the same number in each pair).



DAVID LUCAS/SUN MEDIA

Lorne Lipkus of the Canadian Anti-Counterfeiting Network holds a fake Microsoft OS CD, surrounded by other knock-offs from running shoes to toys.

## GLOBAL TRADE IN FAKE GOODS ON THE INCREASE

A dramatic rise in global counterfeiting and piracy run by criminal gangs on an industrial level is threatening business livelihood and consumer safety, with the annual trade in fake goods worth \$600 billion

**Clothing and footwear:** Copies of brands such as Nike and Louis Vuitton use inferior materials and are sold at fraction of normal price

**Value of counterfeit goods seized by U.S. customs by origin, 2005 \$ millions**

China	28.37 (64%)
Hong Kong	2.83
U.A.E.	1.87
Pakistan	1.18
Russia	1.08
India	0.77
Taiwan	0.77
Italy	0.72
Korea	0.65
Singapore	0.43
Others	5.57
<b>Total</b>	<b>44.24</b>



**CDs, DVDs and software:** Russia's industrial-scale operations for CD and DVD copying ranks second only to China. Internet piracy of copyrighted works is also growing

### Toys:

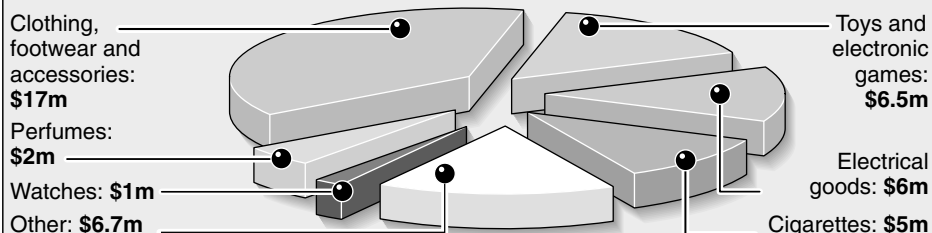
Counterfeiters ignore safety standards, resulting in lethal hazards such as lead paint, sharp edges and flammable materials

### Pharmaceuticals:

WHO estimates 10% of global market is fake. Harmful or lack of active ingredients can result in patient death

**Cigarettes:** Often have higher levels of tar and nicotine. China alone produces about 100 billion fake cigarettes a year

### Value of counterfeit goods seized by U.S. Customs by market sector, 2005



Sources: U.S. Customs, The Anti-Counterfeiting Group

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## 'MORON IN A HURRY'

Anyone who responds to the term "moron in a hurry" is probably a lawyer or corporate executive.

The unflattering handle has become part of the legal lexicon involving arguments of brand identity and warding off product wannabes.

It appears to originate from an English judge who presided over a case in which a Communist party publication called the *Morning Star* complained that a planned tabloid to be called the *Daily Star* would cause confusion between the two papers. The judge ruled that only "a moron in a hurry" would mix up the political paper for a British tabloid.

Since then, however, the term has been given a new meaning by trademark lawyers, said Ruth Corbin, the head of a market analysis company that does research for corporations embroiled in cases of brand identity and trademark infringement.

These days, the argument is more along the lines that if a moron in a hurry can confuse two products sitting on a store shelf, then they should be considered too similar.