

Combating Links Between Counterfeiting and Other Crimes



Counterfeiting often does not occur alone. Rather, it can support and be supported by other crimes. What are the specific links between counterfeiting and other crimes, and what can be done to address them? Underwriters Laboratories' virtual symposium on links between counterfeiting and other criminal activities, held as part of World Anti-Counterfeiting Week activities, offered research and practitioner perspectives on the issue.

Presenters and panelists discussed:

1. The need for a multifaceted approach to counterfeiting.
2. Financial mechanisms of counterfeiting.
3. The transnational nature of counterfeiting.
4. How minimal penalties may encourage counterfeiting.
5. How supporting complex legacy product systems can lead to counterfeiting vulnerabilities.
6. Sharing information to thwart counterfeiting.

Jeremy Wilson of Michigan State University noted that counterfeiting is a multifaceted problem requiring a multifaceted approach. Typical anti-counterfeiting efforts, however, are scattered or reactive. To identify what all might be done in a coordinated fight against counterfeiting, Wilson interviewed more than 40 anti-counterfeiting practitioners and other experts.

Legal tactics, such as seeking injunctions against counterfeiters or organizing evidence for law enforcement investigators, were among the most-cited tactics. But the respondents also noted a need for prevention, proactivity and strategy. Tactics should also involve multiple parties instead of being executed by one party alone. Earlier research by Wilson and colleagues also noted how to extend guardianship of products to thwart counterfeiting. Such "design against crime" techniques may include radio frequency identification technology, the use of holographic labels, and serialization of products. These and similar tactics can help increase the line of sight for products and identify counterfeit infiltration.

Anqi Shen of Northumbria University provided some insights on how counterfeiters can get started in their schemes. Her work with colleagues on the financial management of the counterfeit goods trade addressed how counterfeiters secure and sustain financial backing, settle payments and spend or invest profits.

Counterfeiters, they found, may rely on one of several sources of funding. For small schemes, they can rely on their own funds or even seek loans from those with whom they have had business. Small schemes typically rely on cash transactions, while larger ones rely more on credit. Counterfeiters may use their profits to finance consumption or to expand their business. Often, this research found, counterfeiting is a fragmented business that may not require a great degree of sophisticated management and finance. Counterfeiting can have low barriers to entry, with counterfeiters expanding as they wish after entry. The research suggests that a better understanding of counterfeiting will require a better understanding of the connection of patterns of financial management.



Though counterfeiting operations may be small, they can span borders as well. Bruce Foucart of the Business Action to Stop Counterfeiting and Piracy (BASCAP) and a former federal law enforcement official said, “When you start peeling back the onion... maybe the retailer is purchasing goods.... Then you find a very sophisticated transnational organization that is involved with much more sophisticated cross-border related crimes and smuggling.” Foucart also noted past connections such as the Irish Republican Army selling counterfeit veterinary products, Hezbollah selling counterfeit tobacco products, the Revolutionary Armed Forces of Colombia (FARC) selling pirated DVDs, and, most notoriously, an Al-Qaeda faction using counterfeiting to support the Charlie Hebdo attacks in Paris.

“The incentive structure for counterfeiting is too great for criminal enterprises to resist,” said Kevin Olive of UL. Olive, a former law enforcement official who served on the counterfeit and piracy enforcement team for the Los Angeles County (Calif.) Sheriff’s Department, noted that “the money is so great, and the penalty is so little.”

One complication in the fight against counterfeiting, particularly in supply chains, is the struggles that product users, particularly of large, complex legacy systems, may have in sustaining them. As Peter Sandborn of the University of Maryland asked, “how do you support an airplane for 40 years? [You] have to go to a secondary market to get those parts. And that creates counterfeit risk [because] there’s a demand for the old parts and you can’t get them from the original manufacturer.” Some users, Sandborn added, find that 30% of the parts they acquire to support legacy systems can be suspect.

Detection methods for such parts, however, can be too reactive or expensive. “If you are relying on detection, you have already given up trying to stop [counterfeit parts],” said Diganta Das of the University of Maryland. “A simple part which may cost literally five cents, if you run all the detection tests, may cost five dollars,” he added. He further noted original manufacturers would lack incentives to produce these parts because of the relatively limited production for such items.

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*Melissa Maranville
Founder and chief executive officer
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To thwart counterfeiting as early as possible, panelists recommended training in traditional and new venues. Law enforcement can require continual training on counterfeiters and their methods. Melissa Maranville of DeVille and Associates noted, “One of the most important things we can do [is] to educate police officers and consumers in general about online crime trends.” Maranville cited gaming platforms in particular as providing a means for counterfeiters to market their wares.

Much of the effort, Chen said, may have to rely on information sharing. “Different agencies should let each other know what they can offer,” Chen added, including the particular strategies and services “Brand owners should work closely with law enforcement” and provide means “to enhance their capacity to deal with this together.”