

# Chapter 3. The trade in fakes: A first glance

This chapter presents a set of initial snapshots of the trade in fakes based on raw customs-seizure data.

## Overview of seizures of counterfeit goods

In each analysed year (2017, 2018 and 2019), the total number of customs seizures of counterfeit and pirated goods worldwide consistently exceeded 130 000. Overall, the unified database on customs seizures of IP-infringing goods includes almost half million observations. These data provide a wealth of information about provenance economies, the industry scope of the trade in counterfeits and the economies where rights holders whose IP rights are infringed are registered.

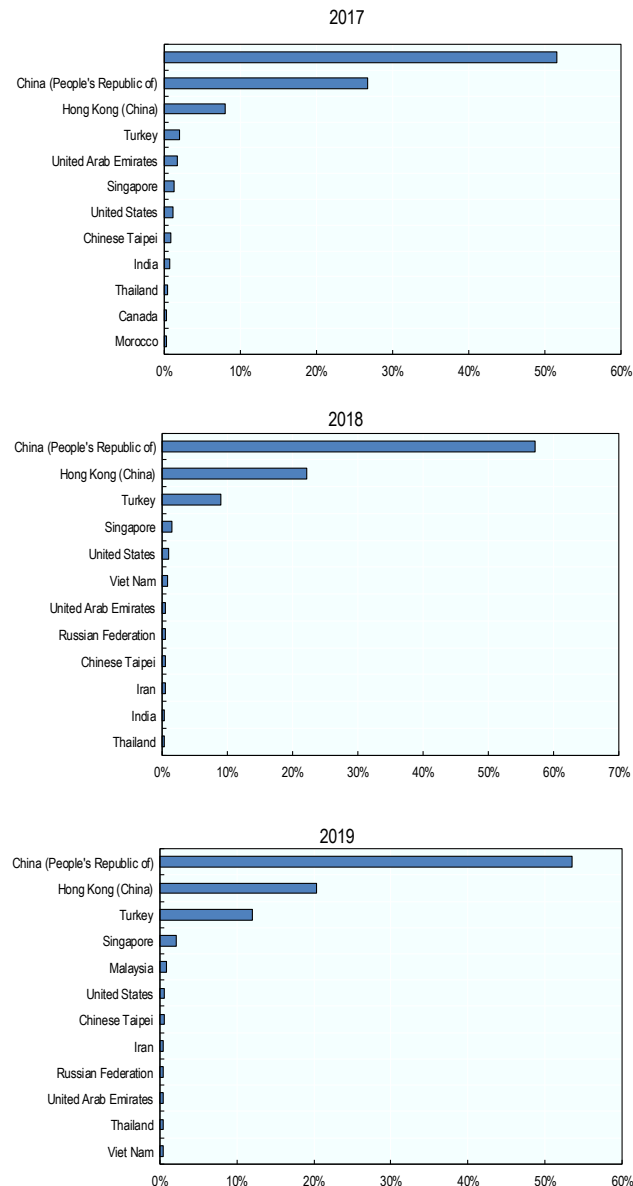
In most cases, the data do not allow distinguishing whether seized goods come from the original point of manufacturing or from a transit point. Therefore, as detailed in the (OECD/EUIPO, 2016<sup>[1]</sup>) report, the term provenance economies is employed. This term refers to economies where the actual production of infringing goods is taking place and economies that function as ports of transit through which infringing goods pass.

### *Provenance economies*

Any economy can be the provenance of counterfeit and pirated trade, and the scope of these provenance economies is very broad. A descriptive analysis of the unified dataset of customs seizures identified 180 provenance economies of counterfeit and pirated products between 2017 and 2019, as compared to 184 from 2014 to 2016 and 173 from 2011 to 2013.

While the scope of provenance economies is broad, the raw seizures statistics show that interceptions originate from a relatively concentrated set of provenance economies. In other words, some economies tend to dominate the global trade in counterfeit and pirated goods. The highest number of counterfeit shipments seized is in East Asia, with China and Hong Kong (China) at the top of the ranking (Figure 3.1).

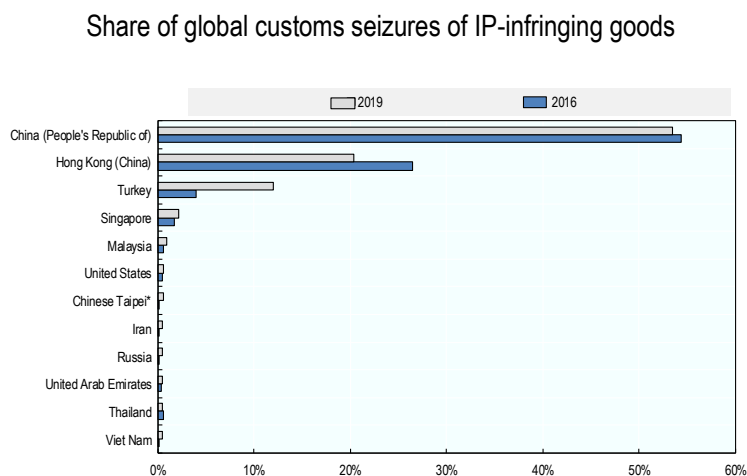
**Figure 3.1. Top provenance economies of counterfeit and pirated goods in terms of customs seizures, 2017-19**



Source: OECD/EUIPO database.

China and Hong Kong (China) dominated the global trade in counterfeit goods in both 2016 and 2019 (Figure 3.2), with the latter's percentage decreasing when compared to 2016. The presence of Turkey among the top provenance economies of counterfeit goods increased over this period: its share of global seizures tripled between 2016 and 2019, rising from 4% to 12%.

**Figure 3.2. Differences in provenance economies in counterfeit and pirated trade, 2017-19**



Source: OECD/EUIPO database.

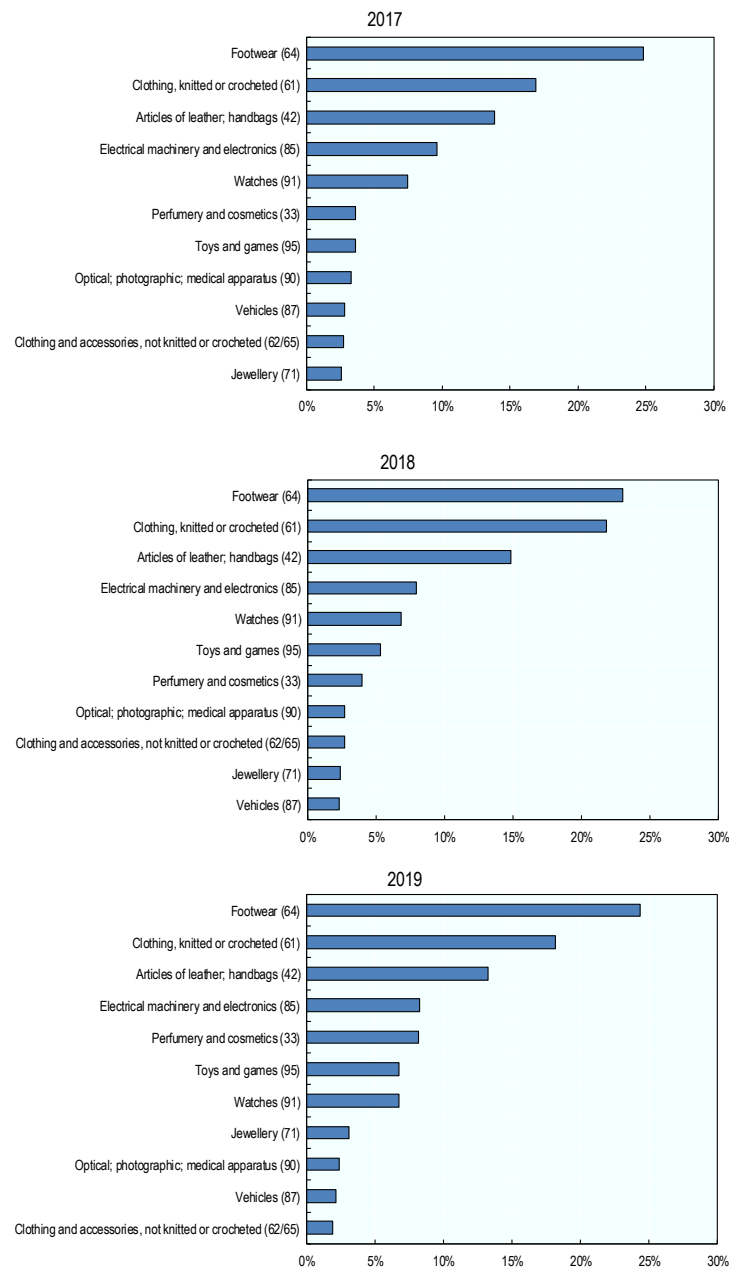
### Product categories

The unique dataset of customs seizures is also used to analyse the types of products subject to counterfeiting. It shows that a wide range of products is counterfeited and pirated. Indeed, the statistics on customs seizures reveal that between 2017 and 2019, customs detected articles in violation of intellectual property rights in 83 of the 96 HS chapters. This means that almost any kind of product is targeted by counterfeiters and may suffer from IP infringement.

However, statistics on customs seizures also indicate that interceptions of fake goods are not uniform, and some product categories seem to be reported more often by customs. The most frequently seized products were footwear, clothing, leather goods, and electrical machinery and electronic equipment (Figure 3.3)

**Figure 3.3. Top product categories of counterfeit and pirated goods, 2017-19**

(In terms of global customs seizures)

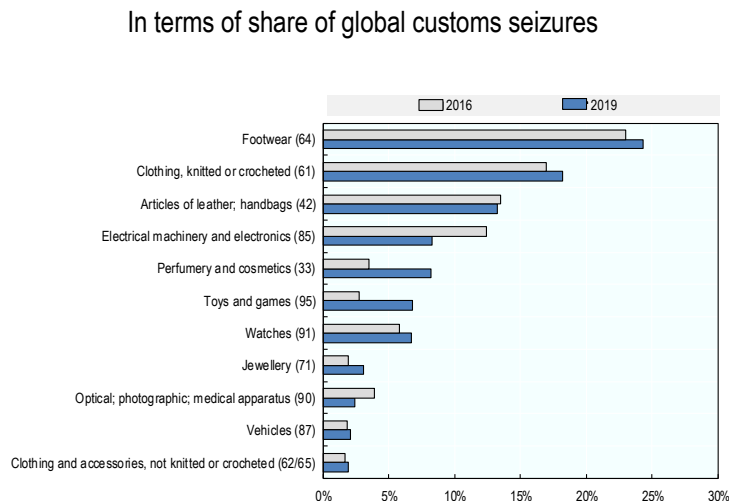


Note: Figures in parentheses refer to the HS Code.

Source: OECD/EUIPO database.

Figure 3.4 indicates the top eight product categories most subject to counterfeiting and piracy remained the same from 2011 to 2019. However, some changes can be noted. In 2019, fake electrical machinery and electronics were less frequently seized by customs than in 2016, while counterfeit toys, games, perfumery and cosmetics were more often reported.

**Figure 3.4. Differences in product categories most subject to counterfeiting and piracy, 2016 and 2019**



Note: Figure in parenthesis refer to the HS Code.

Source: OECD/EUIPO database.

As long as a given product is protected with a trademark, patent, design right or copyright, it is likely that it is counterfeited and pirated. The scope of counterfeiting and piracy is broad and covers almost all products that are protected by the four IP rights mentioned above. Existing statistics report on seizures of such wide-ranging counterfeit products (i.e. trademark infringing) as fresh strawberries, breathing apparatuses and artificial grass, just as in 2016 examples of counterfeit goods included coconut oil, guitars and construction materials. This proof that counterfeiters use aggressive strategies, looking for all kinds of opportunities to make a profit.

The descriptive analysis of the seizures database shows a large number of seized IP-infringing packaging and labels. For the 2019 period, the unified dataset includes almost six thousand customs seizures of counterfeit labels, a 20% increase on 2016. This re-confirms findings about the domestic assembly of counterfeit and pirated products from imported materials, formulated in a study by OHIM-Europol (2015).

If the counterfeit products most frequently seized are common products, it should be noted that many counterfeit products represent a real threat for consumer health and safety as well as the environment. These include fake foodstuffs, toys, cosmetics and chemicals. Counterfeit chemical products, such as fertilizers or pesticides, may raise environmental issues.

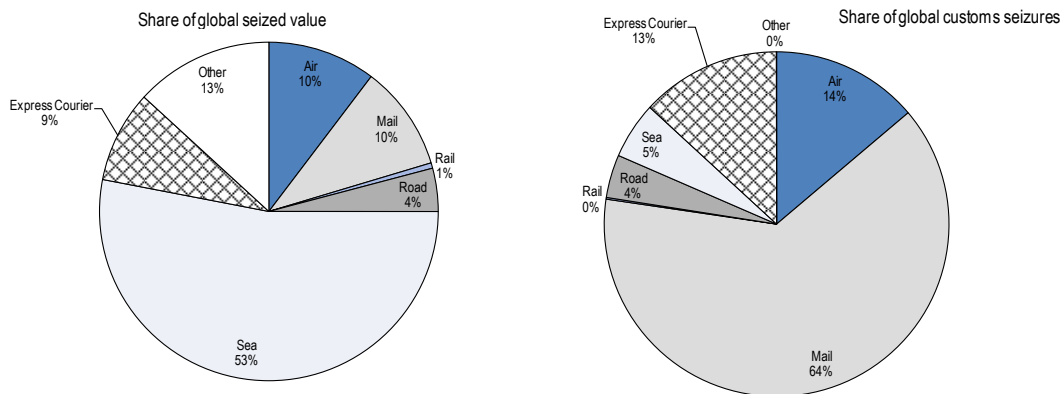
Last but not least, the counterfeiting of pharmaceuticals products is a reality. Even though they are not the most infringed products, their trade is a real threat to public health and was documented by the OECD and EUIPO in (OECD/EUIPO, 2020<sup>[7]</sup>). The findings show that both common medicines as well as more complex drugs (i.e. for cancer or heart disease) are counterfeited.

These challenges have become even greater with the COVID-19 pandemic, which has created new opportunities for profits for criminal networks. Supply chains broken by border closures, a strong demand for medicines, protective equipment and tests, and the limited capacity of law enforcement officials all shape the illicit trade in fake pharmaceuticals. Criminals are clearly taking advantage of the global pandemic, and enforcement authorities are reporting a sharp increase in seizures of fake and substandard medicines, test kits and personal protective equipment (PPE), as well as other medical products. In addition, the first instances of counterfeit COVID-19 vaccine have been reported, posing a vital threat to vaccination programmes.

### Conveyance methods and extent of seizures

Descriptive statistics on customs seizures highlight that the postal service was the most popular way of shipping counterfeit and pirated products (Figure 3.5) in terms on frequency of seizures. Between 2017 and 2019, postal shipment was the transport mode of 64% of global seizures, and 13% of seizures concerned express courier. This indicates that the use of the postal and express services dominates in terms of number of seizures, accounting for 77% of global seizures, up from 69% of global seizures from 2014 to 2016. Postal shipments were followed by air, at 14% of global seizures, and sea, at 5%.

**Figure 3.5. Conveyance methods for counterfeit and pirated products, 2017-19**

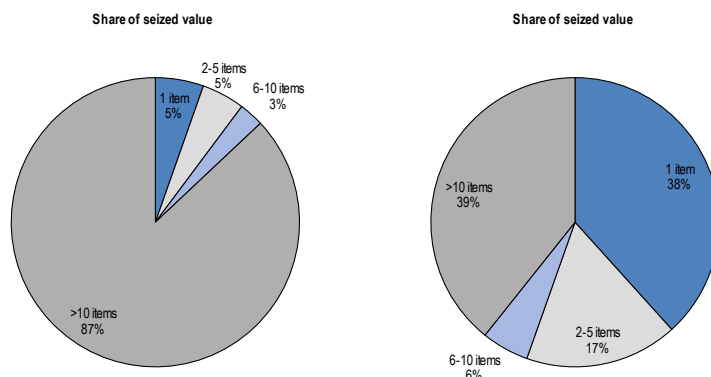


Source: OECD/EUIPO data

The unique dataset on customs seizures also enables to analyse quantities of seized counterfeit and pirated goods (Figure 3.6), indicating the size of seized shipments tends to be small. Indeed, shipments containing less than 10 items accounted for 61% of the total number of shipments. During the previous period, small shipments (i.e. less than 10 items) were also the most popular conveyance method for counterfeit and pirated goods, representing 65% of the total number of shipments. This is a key trend in the trade in fake goods and was highlighted in the (OECD/EUIPO, 2018<sup>[61]</sup>) report on small parcels.

The sizes of seized shipments tend to be small: shipments with fewer than 10 items accounted for about two thirds of the total number of shipments on average, against 85% and 43% for the 2014-16 and 2011-13 periods, respectively (Figure 3.6). This matches the finding that in terms of the number of seizures small parcels usually containing a few items remain the most popular conveyance method for counterfeit and pirated products.

**Figure 3.6. Size of seized shipments, 2017-19**



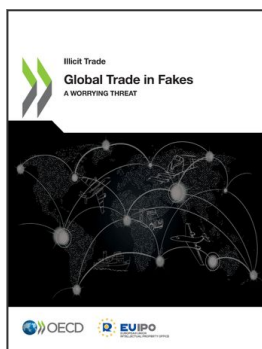
Source : OECD/EUIPO database

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