

MANIFESTO 2016



ANTI-COUNTERFEITING GROUP MANIFESTO 2016

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FOREWORD



Mireille Giesen-Onclin
Chair, ACG Council

The Anti-Counterfeiting Group (ACG) is the lead voice of businesses damaged by the destructive flood of counterfeit goods into the UK.

Working with Government and law enforcement agencies, our aim is to shape an effective deterrent to intellectual property (IP) crime by: changing society's perception of counterfeiting as a harmless activity; exposing its worldwide economic and social cost; and supporting enforcement agencies to take more effective action on the ground.

ACG provide advice and support to over 3,000 brands and deliver active assistance, information and intelligence to Government enforcement agencies engaged in combating counterfeiting and protecting consumers.

The Organisation for Economic Cooperation and Development (OECD), an independent international organisation aimed at assisting governments across the world, has estimated that the global value of trade in counterfeit and pirated goods has increased by over 80% in the past five-years and is now worth half a trillion dollars a year. Moreover, the UK Government has estimated it loses £1.3 billion in unpaid tax from the sale of fakes.



Alison Statham
ACG Director of Operations

These are startling figures and we must act now before international networks of criminals completely destroy our businesses, safety and security and dismantle our future economic stability and prosperity. The ACG Manifesto sets out our views and values and our motivations for achieving better protection for our businesses and consumers from this insidious form of criminality.

In the Manifesto, we outline our policies and aims and what we consider necessary to establish a more effective response to IP crime. ACG believes that no single agency can tackle this international problem alone. We need even more effective multi-sector partnerships and approaches, directed by Government but with the complete involvement of business. With the creation of joint strategies and plans that set common priorities, it will ultimately result in better decisions and use of resources.

Following the publication of this Manifesto, ACG will meet with key policy-makers and decision-takers in Government to establish what can be quickly put in place to help achieve our goals and how we can jointly establish common priorities that will better protect consumers and our most valuable business assets.

SUPPORTING THE FIGHT TO STOP FAKES

1 IDENTIFY AND RECOGNISE THE SCALE OF IP CRIME TODAY

A recent report by the Organisation for Economic Co-operation and Development (OECD) estimated the global value of trade in counterfeit and pirated goods has increased by over 80% in a five-year period¹ and is now worth half a trillion dollars a year. That's about a quarter of a trillion pounds and around 2.5% of global imports.

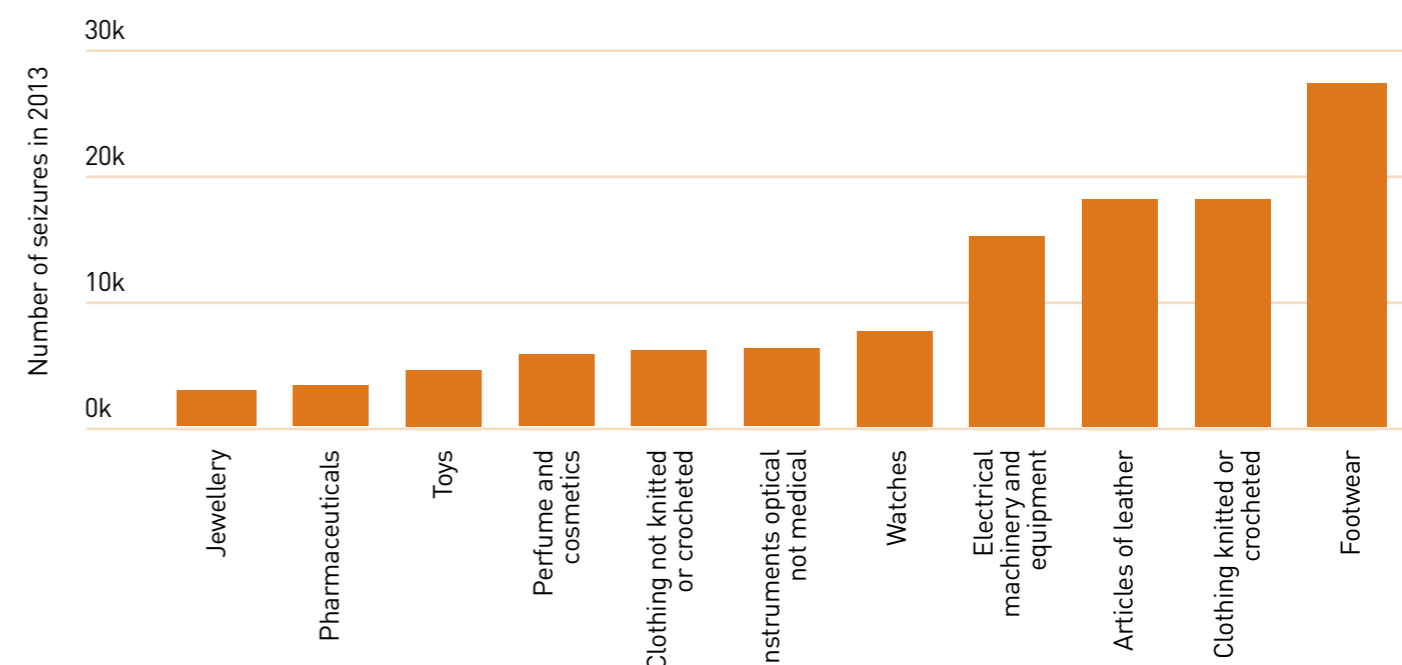
Counterfeiting isn't a problem that only affects luxury brands in certain countries. It has evolved into a multi-billion pound, international industry that impacts virtually every product sold today. Convincingly packaged and branded mobile phones, toothpaste, washing powder, printer cartridges, garden tools, children's toys, car air bags and air filters and many other

imitation products arrive in the UK daily. On occasion the fakes even reach supermarket shelves.

China and Hong Kong continue to maintain their position as the world's leading counterfeiting superpowers, accounting for 63.2% and 21.3% respectively, of counterfeits seized globally. Turkey (3.3%), Singapore (1.6%) and India (1.2%) follow some way behind⁴.

Major enforcement bodies across the world acknowledge the links between counterfeiting and organised crime. The vast profits made from this malicious trade are being channelled into money laundering, drugs trafficking, firearms and corruption. Europol has identified clear links between organised crime and migrants being smuggled across borders to sell counterfeit products on the streets and at unlicensed markets.

Biggest fake exports¹



The large-scale production of fakes, and the counterfeiters' ability to adapt their business models to take advantage of the latest market trends and shift towards online purchases, implies they are well-resourced and well-networked criminal syndicates.

2 UNDERSTAND THE IMPACT OF COUNTERFEITING

The 'black market' created by counterfeiters is draining the UK economy and depriving the Government of important tax revenues that could be spent on vital public services, growing the economy and reducing the burden on UK taxpayers. The Government has already estimated it loses £1.3 billion in unpaid tax from the sale of fakes. If future economic investment continues to be eroded, the UK will no longer be an attractive place to do business.

Iconic UK brands such as Burberry, Cath Kidston, Jaguar Land Rover and The Premier League own some of the most valuable IP business assets in the world and contribute significantly to global economic prosperity and employment. In the UK, brands contribute over £15 billion annually to the economy and account for more than one third (39%) of UK GDP and over one fifth (26%) of employment.⁶

ACG calls on Government to openly recognise that the international trade in fakes is escalating and to take action to place Intellectual Property (IP) crime as an immediate political priority.

Trade in counterfeit and pirated goods has grown from US \$250 billion annually in 2008 to more than US\$461 billion in 2013¹

Businesses work hard to protect their trademarks, implement anti-counterfeiting policies and invest in technologies to protect and authenticate their products. Despite this investment, counterfeiting is stripping businesses of their creativity and innovation, undermining their reputation, creating unfair competition, constraining global sales revenue and jeopardising further product and market development.

A recent report by NetNames conveyed the stark message that counterfeiting is as profitable as the trade in illegal drugs, bringing returns of up to 900%, but far less risky. It is harder to police and the cost to the UK economy alone is estimated to be up to £30 billion a year.

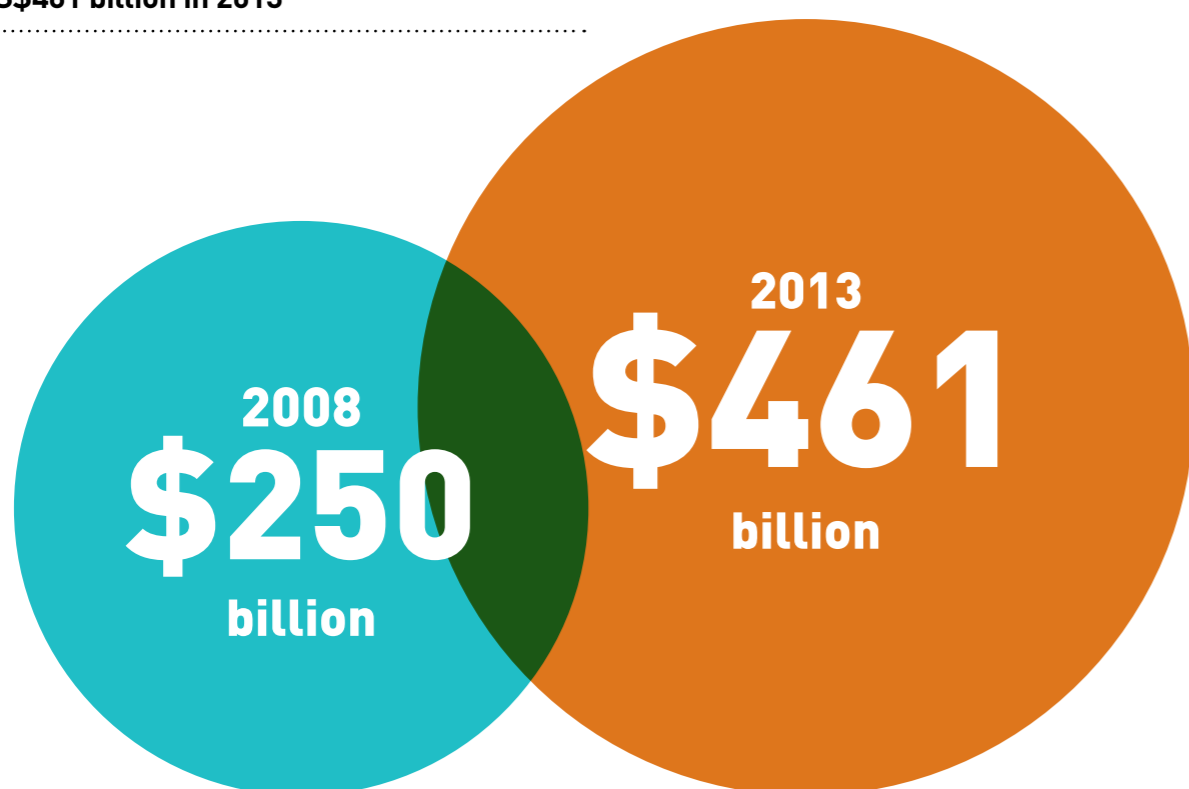
Alan Zimmerman, Professor of International Business and Marketing at The City University of New York explained about counterfeiting "It's a very profitable business... you can get into business at very low cost, and the penalties if you get caught are very small compared to other illegal activities."²

The ultimate victim of counterfeiting is the consumer. Though some knowingly buy fakes, increasingly consumers are unwittingly purchasing goods over the internet only to receive substandard imitations sold at excessive prices. Additionally, many fakes are increasingly exposing consumers to health and safety dangers.

In 2014, more than 35 million goods, with an estimated value of over €617million (£485 million) were seized by European customs. Over one quarter (28.6%) of these products included potentially dangerous goods.⁷

ACG calls on Government to fully endorse its respect for the contribution made by intellectual property to the UK economy and society, by placing sufficient resources to properly enforce IP laws designed to protect businesses and consumers.

Number of articles seized in EU = 35,568,982.
UK = 2,231,880 (2014)⁴



UK: 2,231,880

STRENGTHENING THE APPROACH TO IP ENFORCEMENT

3 DEVELOP A NATIONAL IP ENFORCEMENT BODY

Counterfeiting is increasingly driven by international, criminal enterprises that use sophisticated business models. Single law enforcement agencies and industry associations, such as the ACG, cannot successfully tackle these networks on their own.

The introduction of the Police IP Crime Unit (PIPCU) in 2013 was a welcome acknowledgement by Government that IP crime has a detrimental impact on the economy. However, though PIPCU's achievements have been impressive, it has very limited resources and capacity.

The UK needs an over-arching national IP enforcement body that would include trading standards, customs, financial investigators and a central intelligence team. The US already has such a body in place. Its Immigration and Customs Enforcement (ICE) led National Intellectual Property Rights Coordination Center (IPR Center) offers a multi-partner enforcement approach which provides a central strategic approach to combat IP theft.

A UK IP enforcement body with that level of authority, if supported by a coordinated, collaborative and cross-sector strategy, would provide a genuine opportunity for coordinated IP enforcement activities to safeguard consumers and protect our most valuable business assets.

ACG calls on Government to develop a national, multi-partner IP enforcement body that centralises expertise and intelligence and ensures consistency of understanding and awareness of counterfeiting issues.

4 COLLABORATIVE ENFORCEMENT BUSINESS PLANNING

The connection between counterfeiting and organised crime has been proven. Law enforcement already has strategic priorities for targeting fraud, illegal immigration, the illicit movement of people, drug smuggling and terrorism. It follows, therefore, that the fight against counterfeiting should be viewed with equal importance.

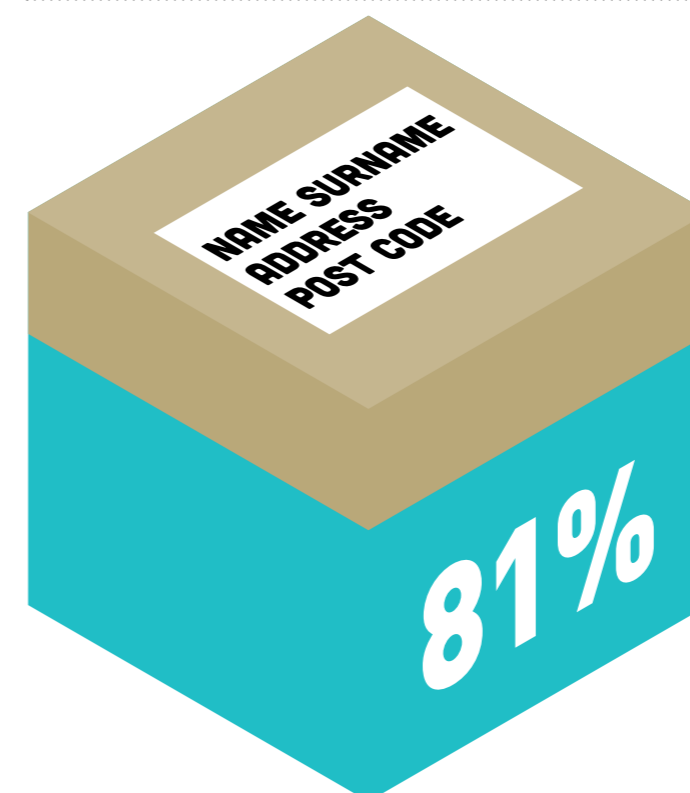
IP enforcement agencies in the UK include; HMRC and UK Border Force, Trading Standards Authorities and the National Trading Standards e-Crime Team, Intellectual Property Office, Police (including PIPCU), National Crime Agency, The Government Agency Intelligence Network (GAIN) and National Fraud Intelligence Bureau. Each has its own specialism, which focus on different aspects of IP enforcement. As a result, there are individual business plans, with competing priorities and delivery targets. The result is, our valuable IP assets are being evermore damaged and exposed due to a lack of consistency and ambiguity in the protocols and procedures employed to protect brands across the country.

The business plan for each individual agency must reflect anti-counterfeiting as a strategic priority and clearly articulate the aims and deliverables of joint-working and partnerships when tackling IP crime.

To have a truly effective response IP enforcement agencies must share information and collaborate on business planning. This will provide them with access to resources and IP expertise that would otherwise have been beyond the scope of their individual reach.

ACG calls on Government to ensure IP crime is a strategic priority for all IP law enforcement agencies and that their business plans match each other's needs and outline the joint tactics and intelligence necessary to fully intercept the transportation, marketing, sale and distribution of counterfeit products within and at our borders.

Postal and courier traffic accounted for 81% of all detentions in the EU (2014)⁴



5 FOCUSED ENFORCEMENT FOR ONLINE AND PHYSICAL IP CRIME

Feeding off the explosion of the internet, its anonymity and ability to operate across jurisdictions, counterfeiters are expanding and spreading their supply chains. Criminal gangs are making more money in ways that are harmful to society and on a scale never seen before.

EU Customs maintain the growing volume of detentions has been partly caused by a rise in small parcels of goods bought on internet sites. Therefore the internet is posing a mounting danger to consumers and industry, providing a faceless channel by which counterfeiters can target consumers directly and disguise consignments in smaller packages, which are difficult to monitor and intercept.

Earlier this year, the OECD concluded e-commerce has become a "major enabler for the distribution and sale of counterfeit and pirated tangible goods".

Operation Jasper, launched in May 2015 and coordinated by the National Trading Standards eCrime Team (and involving ACG), has already taken down or delisted almost 8,000 Facebook profiles, executed 42 warrants and initiated 63 separate on-going investigations.³

ACG calls on Government to ensure that product counterfeiting and digital piracy are given equal focus in both online and physical environments and that greater efforts are made to work with industry and other law enforcement agencies, within and outside the UK.

IMPROVING SUCCESS RATES IN IP ENFORCEMENT

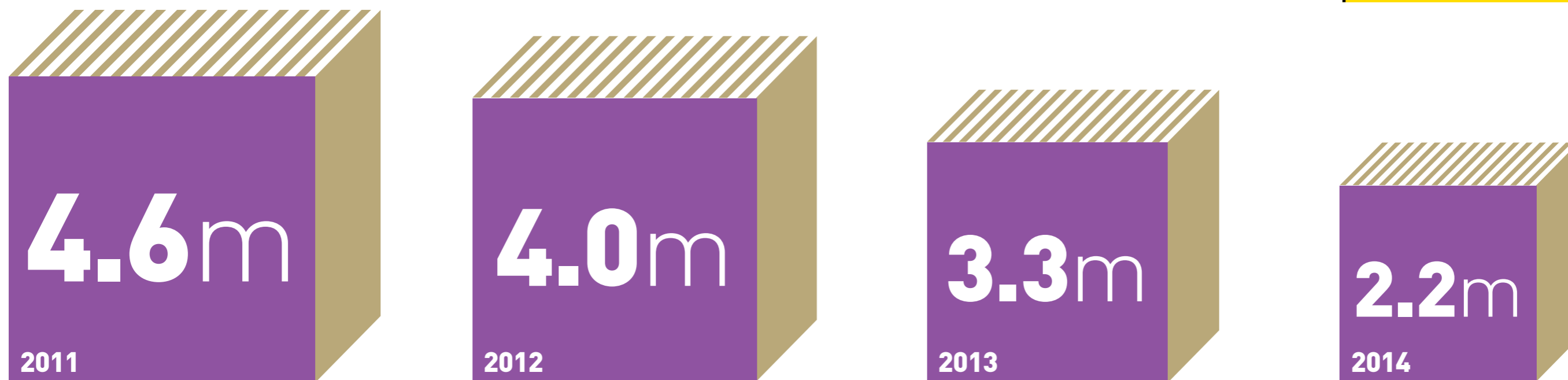
6 WORK SMARTER FOR EFFICIENCY AND EFFECTIVENESS

Progress in tackling counterfeiters has been severely hampered by budgetary cuts across the law enforcement bodies that play a vital role in fighting counterfeiting in the UK. Trading Standards and UK Border Force have been particularly impacted.

Whilst evidence depicts a startling picture and a rising flood of counterfeit products entering UK markets, there has been a downward spiral in the volume of articles being seized at EU borders.

A study in 2015⁵, commissioned by the Department of Business, Innovation & Skills, outlined how trading standards departments across the country are suffering as they now operate with around half the number of staff they employed five years ago.

Articles seized at UK borders (in millions)¹²



Local authority budgets have been slashed by an average of 40% over the last few years⁸, resulting in 70% of Trading Standards' services being restricted or stopped completely. Figures from the latest UK IP Crime Group (produced by the Government's IP Office) suggest an overall 10% fall in IP enforcement work across the UK and the border security budget has also been subject to increasing cuts, with funding falling from £617m in 2012/13 to just £497m in 2015/16¹⁰.

As a result, capacity, capability and expertise have been eroded and there has been a shift from proactive enforcement and prevention to a more reactive approach.

The law enforcement resourcing crisis, the resulting lack of prioritisation for anti-counterfeiting and the constant attacks faced by industry are set against a backdrop of the growing scale and scope in global counterfeiting and its links with organised crime. We must work smarter and employ a versatile structure that allows government, law enforcement and business to work more closely and effectively together.

If we build alliances, pool resources and expertise, share information, promote consistency and develop efficiencies, the UK will be capable of delivering more successful enforcement tactics capable of tackling the links between organised crime and counterfeiting.

For improved effectiveness ACG also recommends a greater use of the Proceeds of Crime Act 2002 (POCA) by local authorities. This will increase revenue streams and can ultimately result in extra funding for law enforcement to tackle counterfeiting.

ACG members are ready to work with Government agencies to jointly train, educate and support law enforcement on the ground and provide intelligence referrals to better inform Government decisions and planning, in tackling physical and online IP crime.

ACG offers to work even more closely with Government to ensure we work smarter together and that business is an active part of the solution in combating IP crime.

7 RAISE AWARENESS TO PROTECT CONSUMERS

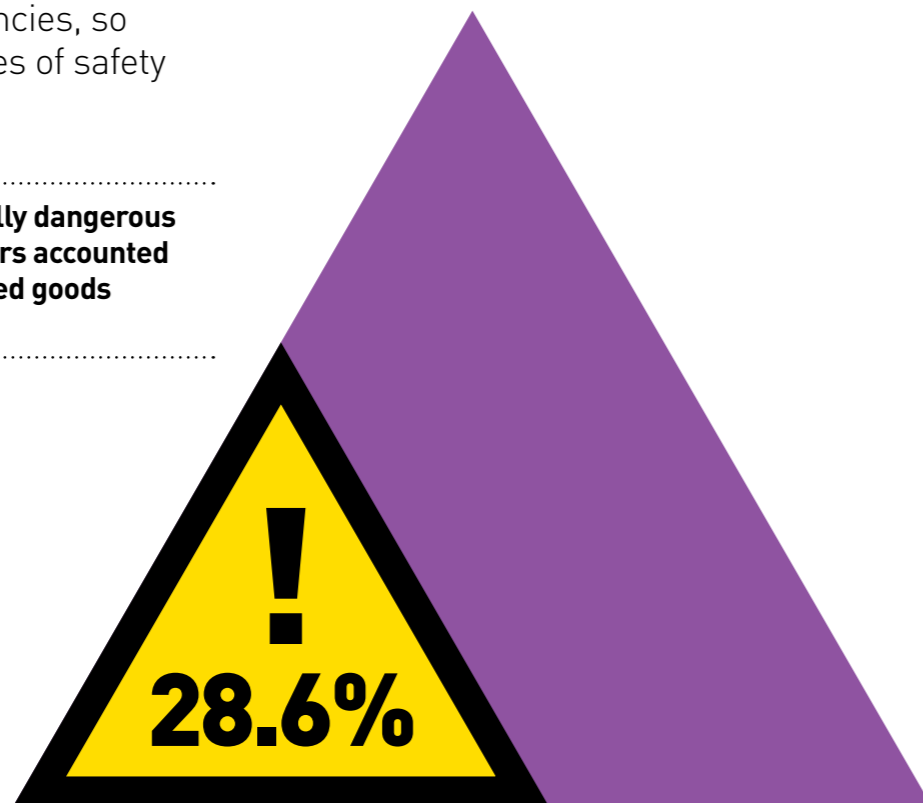
The motives of consumers when they buy counterfeit goods vary widely, from price and easy access, to social acceptability and a perception that buying counterfeits is just a leisure activity which falls outside the law, but has no consequences.

According to a 2013 survey by PwC¹¹, four in ten Britons admit to buying counterfeits and 84% didn't know what the penalties were for selling counterfeit goods.

IP crime and the insatiable demand for fake goods cannot be properly tackled unless consumers are fully aware of the growing risks.

Fakes can be unsafe, or even worse. Counterfeit drugs that supposedly treat cancer, HIV and malaria have led to deaths, as have counterfeit electronics, vehicle airbags, cosmetics, baby formula and other food products. Unlike legitimate goods, counterfeits aren't inspected or regulated by government agencies, so consumers have no guarantees of safety or effectiveness.

.....
Products for daily use and potentially dangerous to health and safety of EU consumers accounted for 28.6% of total amount of detained goods in 2014 (2013 =25.2%)⁴
.....



Consumers need to appreciate the full repercussions of their counterfeit purchases. How their personal health and safety could be at risk and how the money will ultimately lead to organised crime and terrorism. Only then can consumers be expected to actively stop this practice.

UK Government needs to work with ACG and business, to jointly develop and introduce programmes that will properly educate and protect consumers from the dangers of counterfeit products.

ACG call on Government to set up a joint public-private awareness group to promote wider public awareness of counterfeiting issues, including the dangers and ultimate cost to society and the economy.

THE ANTI-COUNTERFEITING GROUP

The Anti-Counterfeiting Group (ACG) represents the trusted lead voice of business affected by the damaging influx of counterfeit goods into the UK. We work with Government and law enforcement agencies to shape an effective deterrent to counterfeiting.

ACG's mission is to change society's perception of counterfeiting as a harmless activity, by exposing the worldwide economic and social cost of intellectual property crime.

ACG is one of the most respected and active trade associations in the field. We represent around 3,000 brands across industry sectors, in more than 30 countries. Members range from brand owners, specialist lawyers, trademark agents and other professionals to product security companies.

We are the hub of an international network of information, advice and contacts on all aspects of IP protection. We also have a direct link to UK and European anti-counterfeiting networks such as the Alliance for Intellectual Property and the Association des Industries de Marques (AIM - the European Brands Association), and are a stakeholder of the European Observatory.

ACG's Intelligence Coordinator is acting as a special point of contact and reference for business and enforcement and regularly facilitates and provides operational support and advice to UK enforcement authorities. As a result, in the past year ACG has helped to facilitate numerous raids against counterfeit traders, which netted over 40,000 fakes.

However, to safeguard UK brands, economic growth and consumers, ACG need even closer collaboration between UK Government, its law enforcement agencies and business to provide a more effective and sustained response to counterfeiting.

ACCG
THE
ANTI-COUNTERFEITING GROUP

**CAMPAINING
AGAINST THE
TRADE IN FAKES**

END NOTES

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The Anti-Counterfeiting Group (ACG)
PO Box 578
High Wycombe
Buckinghamshire
HP11 1YD

T: +44 (0) 1494 449 165
F: +44 (0) 1494 465 052

