

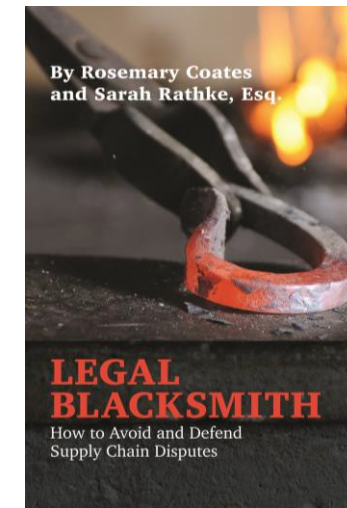
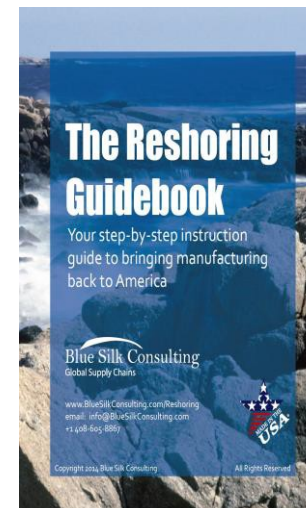
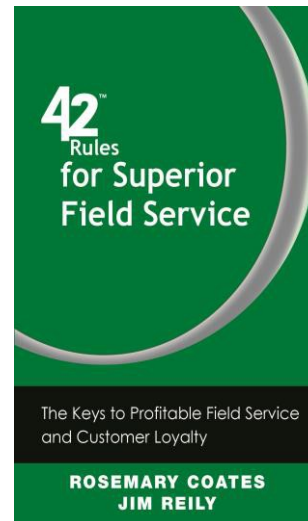
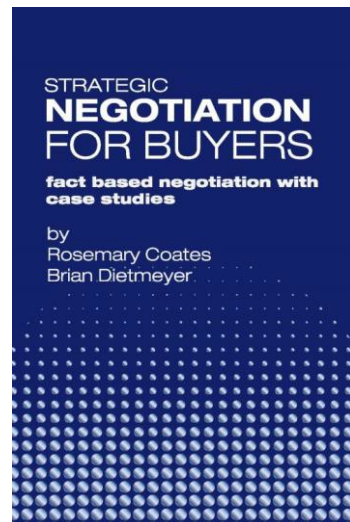
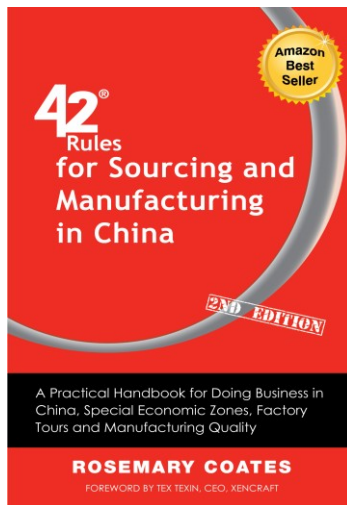


The Battle Against Global Counterfeiting Continues

Rosemary Coates



- Executive Director of the Reshoring Institute
- President of Blue Silk Consulting
- 30 years of Global Supply Chain consulting experience
- Over 80 supply chain clients, worldwide
- Author of
 - *42 Rules for Sourcing and Manufacturing in China*
 - *Strategic Negotiation for Buyers and*
 - *42 Rules for Superior Field Service*
 - *The Reshoring Guidebook*
 - *Legal Blacksmith – How To Avoid and Defend Supply Chain Disputes*
- BS in Business Logistics – Arizona State University 1979
- MBA – University of San Diego 1989





My podcast and monthly column in Supply Chain Management Review

Our Mission

The Reshoring Institute has a dual mission:

1. Provide research and consulting for companies bringing manufacturing back to America
2. Provide experiential education for university students to learn about global sourcing and manufacturing

Our Student Interns

Interns work 100 paid hours per semester on directed research in support of the Institute's research agenda or as directed by clients.





Most counterfeits come from overseas, but not all

U.S. Customs and Border Protection seized and destroyed 19,722 shipments containing counterfeit goods (23 million items) in the 2023 fiscal year

The estimated manufacturer's suggested retail price of these items is over \$2.5 billion

Counterfeits are IP/Trademark violations

The Counterfeit Problem Worldwide

A world map with glowing blue lines and dots representing global trade and data flow. The map is set against a dark blue background with a grid pattern. The lines are curved and connect various points across the globe, symbolizing international trade and data exchange.

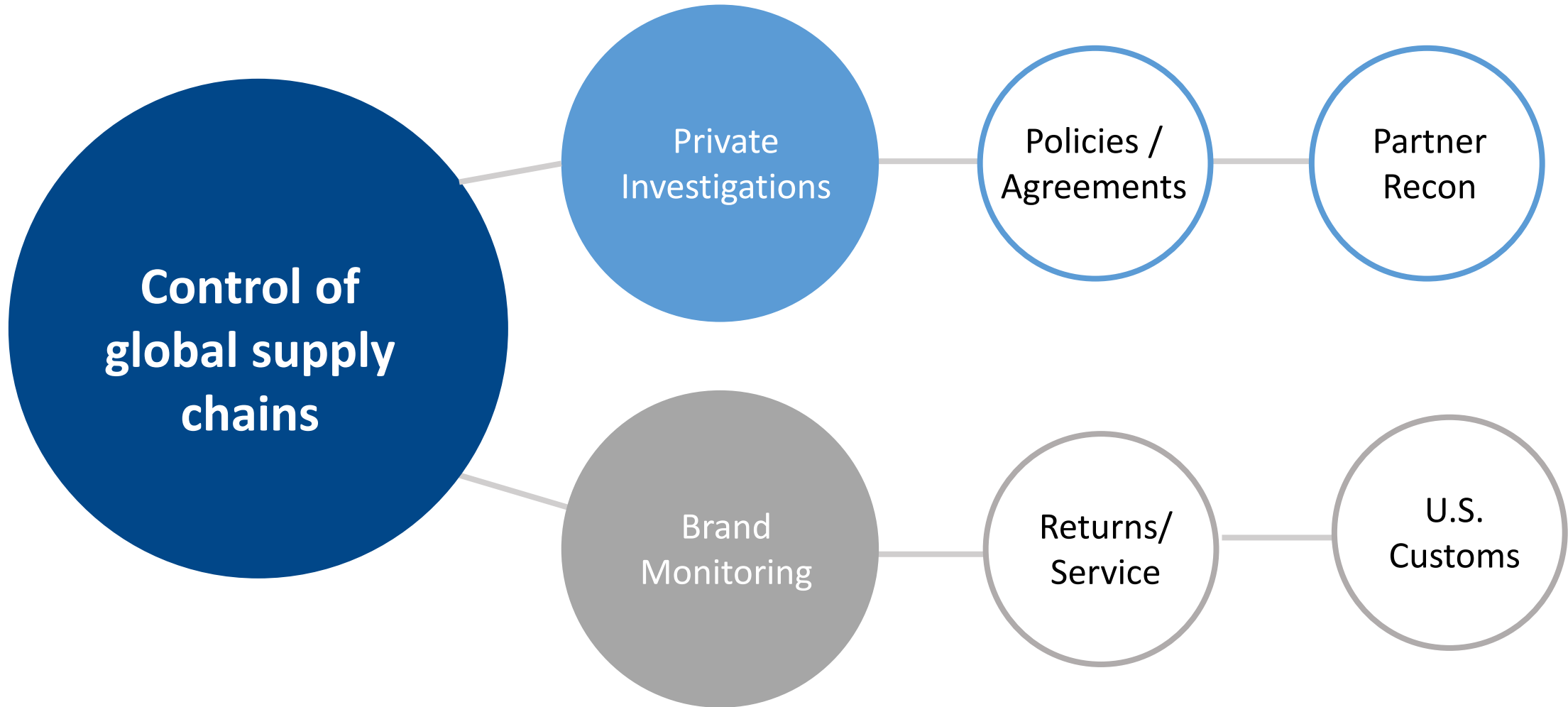
- \$4.5 trillion annually worldwide and approximately 3% of world trade
- It is the largest criminal enterprise in the world
- American consumers purchase the highest share of counterfeit goods at around 60-80% of all counterfeit goods sold
- Counterfeiters don't care what you are buying, they are after your data

Where do counterfeits come from?



- China is the top offender, responsible for more illicit trade all other countries, combined.
- India, Thailand, Turkey, Malaysia, Pakistan, and Vietnam are major producers of counterfeited goods.

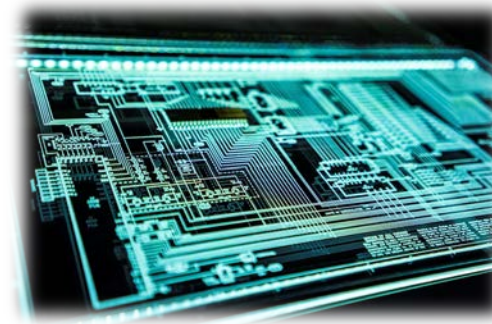
How do companies discover counterfeits?



Dangerous Counterfeits per the USTR*



- Children's Toys and other Children's Products
- Auto Parts - airbags, brakes, oil filters, spark plugs
- Electronics - risk of overheating, self-igniting, or shorting-out, possibly causing burns or electrical shocks
- Pharmaceuticals and Medical Supplies - widespread trafficking of counterfeit drugs, PPE – masks, gowns, gloves, test kits
- Personal Care Products, Cosmetics, Apparel, and Footwear - dangerous levels of arsenic, cadmium, phthalates, and lead
- Aerospace and Defense



*https://ustr.gov/sites/default/files/2023_Review_of_Notorious_Markets_for_Counterfeiting_and_Piracy_Notorious_Markets_List_final.pdf

Who benefits from counterfeit sales?

- Organized crime
- Arms dealers
- Drug cartels
- Terrorists
- Forced labor/child labor
- Scammers who sell your information



Who is fighting counterfeits?

- Amazon, eBay, Alibaba, Taobao – somewhat effective
 - Invisible pigments
 - QR codes
 - Photo mapping – AI image comparison
 - RFID
- A-CAPP Center at Michigan State University
- IACC – International Anti-Counterfeiting Coalition
- WIPO – Swiss Agency
- U.S. Government – USTR, FBI, DOJ
- Laws are non-existent or not enforced in many countries
 - Economic benefits of exports
 - Corruption



Laws and prosecution

- U.S. Customs and Border Protection
 - Only captures 1% of all fakes imported
 - Shippers and consignees prosecuted for counterfeit imports
- Sting operations
 - Counterfeiters are caught when traveling to countries where the U.S. has extradition treaties
- FBI and DOJ take referrals after Brands investigate
- USTR publishes the annual Notorious Market List
 - places that sell counterfeits
 - Taobao, WeChat, DHGate, and Pinduoduo
 - 7 markets in China



OFFICE *of the* UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT

Landham Act – Trademarks



**The Lanham Act, 15 U.S.C. §§
1051 et seq.**

Counterfeiting is ***strict liability***

In **tort law, strict liability** is the imposition of liability on a party without a finding of intent. The claimant need only prove that the tort occurred and that the defendant was responsible.

Mis-alignment of goals – why industrial buyers unknowingly buy counterfeits



Company management may say they want to buy more domestic products, even if they are more expensive, but most procurement professionals are measured on cost savings.

How can we resolve this mis-alignment?

- Re-engineer procurement goals and measurements
- Provide incentives for sourcing in America
- Vocalize the benefits of domestic sourcing

Buying from U.S. distributors doesn't protect you

De Minimis



Over 1 billion De Minimis shipments entered the US in 2023

- De Minimis imports is a policy in response to the growth in e-commerce
- 2016 law changed De Minimis from \$200 to \$800
- Shipments imported under \$800 are not inspected or taxed
- Mostly coming from China
- On-line marketplaces such as Amazon and eBay expanding
- Highway for illicit goods such as fentanyl
 - Canada 20.00 CAD (~ \$15)
 - Taiwan 2000 TWD (~ \$62)
 - Switzerland 0.00 CHF
 - Afghanistan 0.00
 - El Salvador 0.00

Customs Duty De Minimis Values by Country

Customs Duty De Minimis Values of the Top Five eCommerce Markets

	Duty de minimis
 China	0.00 CNY
 United States	\$800.00 USD
 United Kingdom	135.00 GBP (~ \$169)
 Japan	1000 JPY (~ \$6)
 Germany	150 EUR (~ \$162)

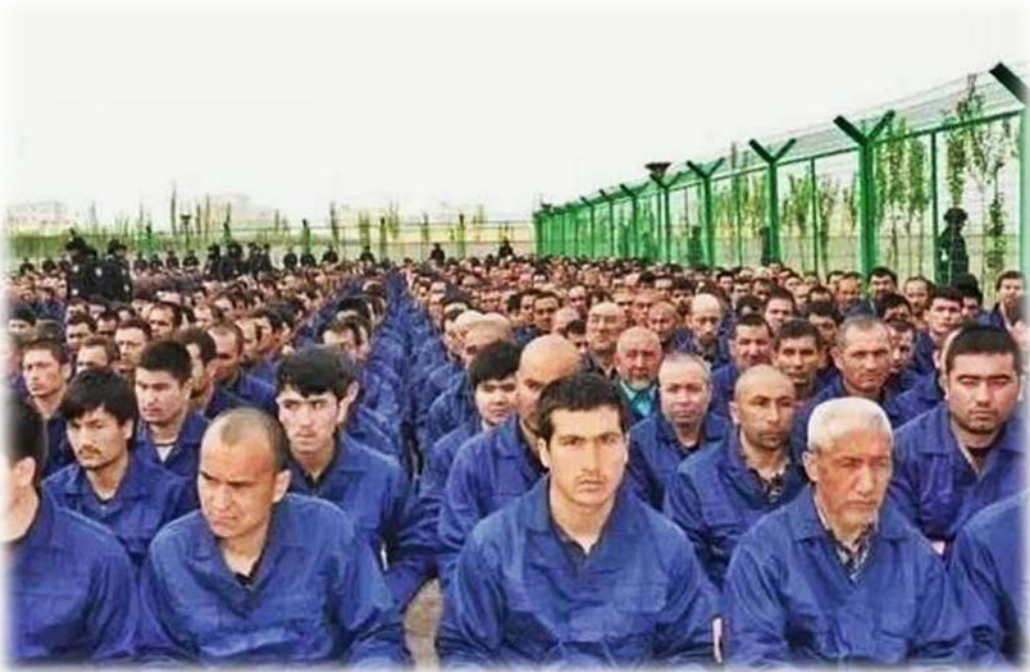
Other Contraband



Uyghur Forced Labor Prevention Act

- *Guilty until proven innocent*

- Goods that are mined, produced, or manufactured in Xinjiang Province China
- Presumption that all goods from Xinjiang Province include Uyghur labor
- Contract laborers



- Textiles, Apparel, Footwear
- Electronics, TV remotes
- Automotive
- Base metals
- Pharmaceuticals
- Chemicals

Uyghur Forced Labor Prevention Act – cont'd

- *Guilty until proven innocent*



BANNED

- Lan Transformer from JWD Technologies in China
- Tier 2 supplier to Volkswagen Group
- Porsche, Audi, Bentley affected

Shipments to the U.S. paused for nearly 4 months

What can we do to avoid counterfeits?

- For businesses
 - Control all the links in your global supply chains
 - Establish brand protection functions (legal/finance/security/supply chain hybrid)
 - Join organizations such as A-CAPP and IACC
 - Partner with U.S. Customs
 - Report counterfeits
- For consumers
 - Don't be fooled by low prices
 - Only buy from legitimate websites/retailers – not Facebook or TikTok sites
 - Try to verify vendors
 - Don't knowingly buy counterfeits – you are supporting global crime rings

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Blue Silk Consulting
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