

Counterfeiting, fashion and the civil society: what about the future?

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Abstract

Counterfeiting is a longstanding problem, which is growing in scope and magnitude: fashion is among the most involved sectors due to its high profitability. It involves the society as a whole and therefore must be addressed structurally at the highest level of intervention. National and international legislation provides norms for the protection of the trademark but the problem of counterfeiting has become so hugely spread all over the world that those norms are not actually effective and should be strengthened.

Regarding civil society it is important to underline connections between the world of counterfeiting and organized crime, the substantial resources that counterfeiting channels to criminal networks, the exploitation of illegal labor and its consequent blackmail; production of black money and, symmetrically, money laundering. The real challenge the society has to face is not a decrease in profits but these interconnections. Therefore, counterfeiting has become a social problem.

In this sector, more than in others, final consumer has a central role. Many surveys were conducted in order to explain reasons behind the purchase of counterfeit products: the most worrying result is the general lack of awareness of the damage caused to a number of categories and therefore the tolerance of this type of purchase. In fact, a great part of customers who have already purchased a fake, states they will repeat their purchase. This means that they have not realized the consequences of their action: they are contributing in creating a society where organized crime will flourish. The unique solution to effectively limit counterfeiting market is to reduce consumer demand. *In primis*, it is necessary to raise general awareness among the competent authorities and the civil society with regards to involvement of organized crime and all other illegal activities. Furthermore cooperation, coordination and communication among custom administrations, other government agencies and institutions, and the private sector, at regional, national and international level should be enhanced since this phenomenon is borderless. The answer to the question must therefore be multi-sectoral and multi-disciplinary.

1. Introduction

Fashion is the biggest factory of fakes in the world. According to the World Trade Organization and OCDE the global counterfeit goods market is worth 350 billion of Euro.¹ If

¹This figure does not however, include counterfeit products that are produced and consumed domestically, nor does it include the significant volume that are being distributed via Internet.

we consider seizures/detentions made between 1 January and 31 December 2011, the top four reported values (retail price in Euro)² of commodities are: clothing accessories (528 million, 38,5%), watches (166 million, 12,1%), footwear (153 million, 11,2%) and clothing (147 million, 10,7%). In terms of the product value, Nike comes as the first brand on the list (355 million, 26.9%), followed by Louis Vuitton (105 million, 7.9%) and Tag Heuer (65 million, 4.9%).³

China is without any doubt the first country for the production of fakes, but with some surprise, or maybe not, in Europe Italy is the leader country; here counterfeit fashion goods have a primary role within the whole phenomenon.

Some 35% comes from the Mediterranean area and are directed to the European Union, USA, Africa and East Europe. Leader countries are Italy, as just told, Spain, Turkey and Morocco.

Globalization has made interactions among all these countries easier: the trading of fakes has benefited from the expansion of international market. For instance more and more Chinese component fakes enter EU through weaker customs like North European harbors⁴ and new member states. Then they are assembled and given fake trademarks by different countries. In addition, significant profit opportunities have emerged from new markets following the collapse of highly regulated economic regimes – such as ex-Soviet countries – or the partial introduction of market economies, such as China.⁵ However it is difficult to identify the country of origin of counterfeiting goods as often their distribution occurs through intermediaries or third countries to avoid controls; what is more the growth in volumes of international trade has made things even worse. That is why all data must be interpreted with caution.

In this sector, more than in others, final consumer has a central role although he often is unconscious not perceiving dangers caused by counterfeiting; he sustains the demand for fakes, due to their low price, and contributes to the development of this phenomenon.

When we talk about counterfeiting, we have to consider an industry by itself, a real competitor with which firms have to compete and defend their market shares. Producer of fakes is an unfair competitor, as it does not respect rules.

Regarding civil society it is important to underline connections between the world of counterfeiting and organized crime, the substantial resources that counterfeiting channels to

² Original values were in USD. The exchange rate applied is 1 € = 1,3\$

³ WCO (2012). Analysis only takes account of cases where customs services were involved.

⁴ Due to the vast amount of goods shipped, controls are problematic; for instance in 2009 in Rotterdam, the first European harbor, the daily average of containers was 27.000 units.

⁵ Hung (2003).

criminal networks and other groups that disrupt and corrupt society; the exploitation of illegal labor and its consequent blackmail; production of black money and, symmetrically, money laundering. The real challenge the society has to face is not a decrease in profits but the interconnections underlined above, as the vast majority of purchasers of fake brands in any case would not have bought the genuine article for its high cost.

In order to investigate this phenomenon it is important to analyze actions to limit counterfeits that can arise from both supply and demand side, considering the tactics companies and civil society employ to deter counterfeits. Furthermore it is necessary to highlight the features of the Italian economic system, verify the role of economic policies and analyze the types of possible interventions to tackle all specified problems. And the final question, probably the most important, needs an answer: what are the future implications for the fashion system and the society as a whole due to the vast development of this “illegal” market?

2. National and international legislation

Before analyzing the counterfeiting phenomenon it is essential to understand the meaning of trademark and how legislation covers this issue. Trademark protection is offered both at national and international level. The starting point is the properly definition of the concept of trademark. Concerning this, a widely used definition is provided in the “Agreement on Trade-related Aspects on Intellectual Property Rights (TRIPs)”.⁶ According to this agreement *“Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colors as well as any combination of such signs, shall be eligible for registration as trademarks.”*⁷ And *“The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion”*.⁸

For the international registration of marks we have to consider the Madrid system; established in 1891 it functions under the Madrid Agreement (1891), and the Madrid Protocol (1989). It

⁶ TRIPS Agreement is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, signed in Marrakesh, Morocco on 15 April 1994.

⁷ TRIPs art. 15 comma 1.

⁸ TRIPs art 16 comma 1.

is administered by the International Bureau of *World Intellectual Property Organization* (WIPO) located in Geneva, Switzerland.

Some countries joined the Protocol, others the agreement and some others, like Italy, both. Basically, they differ from each other mainly because the former provides that the registration of a trademark may be based on a single specific application, while according to the second one the same registration may be possible only if a previous registration has already taken place in the country of origin.

Thanks to the international procedural mechanism, the Madrid system gives a trademark owner the possibility to have his trademark protected in several countries by simply filing one application directly with his own national or regional trademark office that will then transmit it to the bureau of the WIPO. Once registered, an international mark is equivalent to an application or a registration of the same mark made in each of the countries designated by the applicant. Therefore with a single registration this procedure allows enjoying protection in all the member countries, according to the laws of each of them.

Once defined trademark, we can go on with the concept of counterfeiting goods; we have to refer to the Council Regulation EC n. 1383/2003 of 22 July art. 2 concerning customs action against counterfeiting goods, defined as:

(i) goods, including packaging, bearing without authorization a trademark identical to the trademark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the trademark-holder's rights under Community law[...](ii) any trademark symbol (including a logo, label, sticker, brochure, instructions for use or guarantee document bearing such a symbol), even if presented separately, on the same conditions as the goods referred to in point (i); (iii) packaging materials bearing the trademarks of counterfeit goods, presented separately, on the same conditions as the goods referred to in point (i);

As regard Italian legislation, trademark discipline dates back to the Royal Decree 21 June 1942, n. 929, modified by the legislative decree n. 480/92, and in the civil code artt. from 2569 to 2574; counterfeiting is provided by the penal code artt. 473-474 modified by law n. 99/2009 of 23 July. This law introduces the so-called “Counterfeiting package”, which provides for measures that allow stronger protection of intellectual property rights; it also sets, at the Ministry of Economic Development, the National Council anti-counterfeiting (CNAC),⁹ a body charged with providing guidance, impulse and coordination to central and local

⁹ CNAC was officially set on 29 July 2010.

institutions involved in the fight against counterfeiting, in order to improve the common action of contrast at national level.

Finally art. 517 of the penal code focuses on the violation of the Made in Italy.

Therefore the question is not that national and international legislation does not cover this issue, but to verify if this legislation is actually effective or should be strengthened. The answer will be given later on.

3. Counterfeiting in Italy

Firms usually invest substantially in constructing their brands. In fashion products, these efforts are aimed at building up brands exclusive and glamorous. In order to reach such an ambitious purpose brands must become at the same time popular but not accessible to the masses. This is the key to understand the mechanism of counterfeiting: the more firms put money in building top brands, the more those brands are likely to be counterfeited. This is the case for Italy as home of the most prestigious luxury brands (and more generally of “Made in Italy”) that are more exposed to unfair competition from counterfeit products. Italy is also one of the countries that risk a huge loss of competitiveness due to the development of the counterfeiting market, because of its production system composed for the vast majority of small and medium-sized family businesses, who find it difficult to face adequately the problem since the lack of resources.

This country is both producer and consumer of counterfeiting products. It is a producer because the tradition of “black business” and the presence of brands of excellence have created favorable conditions for the know-how acquisition on behalf of others. Italy is also the first European country on the demand side, since counterfeit products represent a powerful attraction for those who want to own items they cannot afford. We can talk of “aspirational” customer, generally belonging to the medium-class that aspires, in its consumption model, to become similar to the upper class, which is used to buy branded products.

Moreover, relocation has made easier for others in the host countries to imitate production processes and/or products in illegal ways. This is also the case for Italy whose firms relocate in particular towards east European countries. The conquest of new markets has become a priority, a necessary pre-condition to consolidating and growing in the fashion industry today; if a firm cannot face the competition with a production *in loco* at competitive costs, it has two alternatives: it may leave the market or expand its productive network in countries where it is

possible to produce at lower costs, leaving other activities in Italy. In this way it can stay in business, but as just told, illegal imitation is more common.

Table 1 contains some estimates regarding counterfeiting on the Italian market, therefore excluding international trade. As we can see, counterfeiting involves about 7 billion of turnovers; if it had been realized on the legal market, it would have generated almost 18 billion of additional production and 6 billion of added value. Furthermore, the government has lost more than 5 billion of Euro in direct and indirect taxes and this market costs some 130,000 jobs losses in the economy; due to damages sustained by companies as a result of counterfeiting they are forced to reduce the volume of their business and consequently to fire employees. An economic problem therefore becomes a social problem. As we can imagine, the first category involved is clothing and related accessories, with an estimated value of 2,6 billion of Euro (table 2).

Within this country we have to record some areas where this phenomenon is particular active from the production point of view: Campania for clothing, Toscana, Lazio and Marche for leather goods, and Northwest and east for watches.

In the last four years Guardia di Finanza, the Italian tax police, and Agenzia delle Dogane, the custom police, seized almost 229 million of pieces; 23% clothing accessories (more than 52 million of pieces), 20% clothing (over 43,5 million of pieces), 6% footwear (almost 13 million of pieces), 2,8% eyewear (6,4 million of pieces) and 1,3% watches and jewellery (3 million of pieces).¹⁰

The fact that Italy is one of the main production and distribution centers of counterfeits does not encourage inflows of investments by foreign companies; at the same time it causes the suspicion on the "Made in Italy" legitimately exported with obvious costs for the image of the Italian system. In fact the decrease in investments may also involve a decrease in exports due to the negative reputation associated with all products originating Italy, including genuine goods, which may be believed to be low quality.

3.1 The General Directorate for the fight against counterfeiting - UIBM

In line with the effort to tackle the problem, on 1 January 2009, the Directorate General for the fight against counterfeiting-Italian Patent and Trademark Office of Italy's Ministry for Economic Development was established. Set within the department for the enterprise and internationalization, it works both on an international and national level to enhance and

¹⁰ IPERICO (2012).

protect the Intellectual Property and, as the name itself shows, to support the fight against counterfeiting. It sustains the innovation of Italian companies; it promotes and spreads knowledge, use and value of the industrial property and protects it with all available tools; it fights counterfeiting and protects the Made in Italy; promotes all initiatives to communicate and educate people and cooperates with institutional subjects for the realization of all its duties.

One important success of this institution is the Intellectual Property – Elaborated Report of the Investigation on Counterfeiting database (IPERICO). A multidisciplinary task-force of experts worked for years in its creation, by collecting, merging and interpreting information and data on anti-counterfeiting activities implemented by the different agencies that constitute the Italian law enforcement system, namely: the Italian Custom Agency, the Italian tax police, Italian Local Police and the army corps with police duties. Counterfeiting is by definition an illegal activity; it is therefore difficult to quantify figures, given the problems associated with collecting and comparing data. Consequently measuring this phenomenon is very difficult, if not impossible and we can only rely on estimates. On the opposite, seizures performed by the agencies can be measured with approximate certainty.

IPERICO contains data answering the following questions: what type of goods have been seized, how many items, when (month and year), where (city and region) and who carried out the seizure (which corp or agency).¹¹

The first IPERICO Report was released in July 2011 and refers to years 2008-2010, than an update considering also year 2011 was made available. It contains more than 70 tables and figures. In the appendix the most significant are reported.

As we can see from table 3, in the four year period the total number of seizures has been more than 71 thousand with 228 million of items (table 4) and an estimated value of over 2,2 billion of Euro.¹² We have to record a decrease in 2011 with respect to 2008. Clothing and related accessories, shoes, glasses, watches and jewellery are the categories most frequently seized. There are some differences among the categories: for instance from 2008 to 2011 the number of seizures in clothing and related clothing has decreased even if together they still represent 70% of the total. On the opposite watches and jewellery have almost doubled.

¹¹ Counterfeiting of foods and beverages, medical and tobacco products are excluded.

¹² IPERICO (2012).

Table 4 confirms that if we consider the number of articles seized, clothing accessories, clothing and shoes are the most involved with an estimated value of more than 1 billion, 459 million of Euro, and almost 298 million of Euro respectively.¹³

All these figures tell us that the management of counterfeiting of fashion items is one of the most profitable activities for organized crime.

4. The dangers of fake/effects: economic, social, and political

Figures released confirm that counterfeiting is a longstanding problem, which is growing in scope and magnitude. Actually, even if some still consider it a negligible phenomenon of "petty crime", you should not underestimate this phenomenon since it involves the society as a whole and therefore must be addressed structurally at the highest level of intervention.

It is of concern to business because of the impact that it has on (i) sales and licensing; (ii) brand value hardly acquired over decades of work and firm reputation, research, creativity and communication that are critical to the success of a product; (iii) resources firms waste in fighting the phenomenon and (iv) investments made by firms in developing new products in order to distinguish themselves from the fakes. Illegal company does not sustain promotional costs for the product – given that it exploits the image of the legal good that it intends to replicate – nor any administrative costs associated with financial statements and accounting. Even Coco Chanel said to a colleague: "You are successful the day you are being copied." Now that the problem has assumed alarming proportions, few still support such triumphalist and thesis.

It is of concern to governments because of (i) the direct economic damage implying total tax and contribution evasion. These direct economic losses add up indirect ones: (ii) the negative impact that they can have on innovation and growth; when you copy you do not create anything new. Moreover why should you invest such amount of money, time, and talent in the creation of something new that will be easily imitated by others without having to sustain the costs of the legal company? (iii) The substantial resources that it channels to criminal networks. This last problem will be investigated more in deep in one of the following paragraphs.

It is of concern to consumers because of the significant health and safety risks that substandard counterfeit products could pose to those who consume the items. In one word, the

¹³ IPERICO provides also tables with estimates in Euro of the value of article seized on the basis of their number.

customer is deceived. The next paragraph will focus more in detail on the consumer role within the phenomenon.

5. Why the shopping of counterfeit products? Consumer role

Why should a consumer buy a counterfeit item?

First we have to distinguish those consumers who knowingly purchase counterfeits from those who are cheated; in the latter case he is a victim who unknowingly and unintentionally purchases counterfeit goods that are closely similar to the genuine article. Actually, when it comes to the fashion industry, the majority of purchases refers to the first category; it is indeed very difficult to think you are buying a branded product while spending half or even one third of the normal price. Consequently it is supposed that the consumer knows he is buying a fake.¹⁴ Instead, what is always true is that he does not realize the consequences his action causes to a wide range of people, himself included.

For instance, textile industry is among the most pollutant industries since it makes largely use of harmful substances: it is sufficient to think of the treatment stages like bleaching, dyeing, printing, finishing. Not only man-made fibers, but also natural fibers like cotton or silk may be produced using pesticides, herbicides, fertilizers that later could be transmitted to human skin. From this point of view, counterfeiters make use of the cheapest materials and do not care for the toxicity of these materials.

European and Italian regulation provides strict standards related to which substances can be used in the production chain of fashion items. However many fake products go on using the latter since they are still permitted in other countries.

What is more, consumer in general does not feel guilty neither towards fiscal authority nor in helping the interests of organized crime or in causing an economic damage, thus taking care of a purely personal convenience; indeed counterfeiting is usually perceived by society as a victimless crime. As support of the latter, consider that according to Italian law consumers of counterfeiting products, those that simply buy final products without having taken part in the production chain, do not commit a crime but simply have to pay a fine from 100 to 7.000 Euro.¹⁵

¹⁴ Obviously, there are cases of fakes and genuine products put on sale together at the same price; in this situation the customer is definitely deceived.

¹⁵ Art 17, comma 2, law 23 July 2009, n. 99.

Moreover it is important to remember that the label and identifying design characteristics (e.g., a logo, or a distinctive fabric pattern) are themselves of value to consumers. Such is the case for status goods, i.e., those goods for which the mere use or display of a particular branded product confers prestige on their owners, apart from any utility deriving from their function.

When you are willing to spend for a branded item much more than what you would for an identical one but with no brand, what really matters is the symbolic/intangible value. That is the intangible element that relates to the associations evoked by the brand in the consumer's mind. For instance the prestige and gratification the brand gives you. You states your belonging to a particular group, you want to show you can afford it, you want to communicate your distinction: in a few words you are seeking self-satisfaction. Some people buy luxury brands as an act of social emulation: they want to wear the same brands the people they aspire to be, usually wear. Such status-seeking consumers are more likely to buy counterfeits.¹⁶ But this happens when few persons wear it; if an item is widespread, no matter if genuine or fake, it implies a loss of exclusiveness.¹⁷ Counterfeit status goods, then, deceives not the individual who knowingly purchases the product, but rather the observer.

Furthermore, counterfeiters of status goods impose a negative externality on consumers of genuine items, as fakes degrade the status associated with a given label.¹⁸ To give an example, think about some countries where even when you wear an original head, people think it is a fake due to its widespread. For instance in Bangkok Thailand, if you go around in a shopping mall or just walk down the streets you see people wearing branded items everywhere. But you cannot tell which is real and which is fake. Street markets are full of counterfeit branded goods: any kind of item is available upon request. If you approach a stall selling normal bags, the owner gives you a catalogue full of fake luxury items on sale at ridiculous price. So why bother spending so much money?

Other kind of externality is explained in the following example. In a recent paper, the author studied the response of branded Chinese shoemakers to an influx of fakes after the government shifted its enforcement efforts to other kind of counterfeit products such as food, drugs and alcohol.¹⁹ Many shoemakers reacted by improving the quality of their footwear, importing Italian pattern-pressing machines and using materials of superior quality, such as crocodile skin; this was good for innovation. However, the other side of the coin was that

¹⁶ Phau *et all* (2009).

¹⁷ Commuri (2009).

¹⁸ Grossman *et all* (1986).

¹⁹ Qian 2012.

manufacturers raised prices by more than what requested by their extra costs; this means that buyers of fakes have imposed a cost on people who wanted to buy genuine products since they first made brands less exclusive and later more expensive.

Many surveys were conducted in order to explain reasons behind the purchase of counterfeit products: the most worrying result is the general lack of awareness of the damage caused to a number of categories and therefore the tolerance of this type of purchase.

Among these studies, relevant is the one based on the campaign “Io non voglio il falso” (I do not want fake goods) that is part of the agreement signed in November 2010 by the General Directorate for the fight against Counterfeiting-Italian Patent and Trademark Office and eight consumer unions. This survey, whose main aim was to investigate consumer perception of the whole phenomenon, was realized on a sample of 4000 consumers.

To sum up, the most important results brought out were:

- clothing is the most purchased product category;
- low price is the main purchasing stimulus (82,3% of the sample);
- people do not feel guilty for their purchase (72,9%);
- people are conscious to commit a crime and to have to pay a fine (90%);
- only 586 people out of 4000 (14,65%) have declared to buy counterfeit products; however due to the previous result, this means that the datum is underestimated. People do not want to admit to have broken the law;
- 91,5% of those surveyed stated the solution against counterfeiting is to create and put on sale new genuine/branded products at lower price and 87,3% to make provision for more huge fines for sellers but excluding buyers;
- 71,6% declares to repeat purchasing of counterfeits.

The most striking finding of these results is the last datum; if more than two persons out of three states they will buy again a fake, this means that they have not realized the consequences of their action: they are contributing in creating a society where organized crime will flourish.

6. Counterfeiting and criminal organizations

As told several times, counterfeiting is a criminal activity expanding over and over and links with organized crime are undeniable. This last aspect should be emphasized: counterfeiting is

to organized crime a lucrative investment area like the production and the distribution of drugs, the management of prostitution and gambling, the control of illegal immigration and black labor; replicated products are produced given that, in most cases, these workers are employed under conditions of real exploitation without any form of guarantee due to the unlawful nature of their employment. What is more counterfeiting is regarded with particular indulgence by public opinion and, sometimes, by the judiciary itself.

For instance consider that for trademark counterfeiting under Italian law the penalty is from 2.500 to 25.000 Euro and you can be sentenced from six month to three years' imprisonment, while for drug trafficking the penalty is from 26.000 to 260.000 Euro and from six to twenty years' imprisonment. This simple example makes it clear how these activities are differently treated despite their similar dangerousness. Probably this is the result of the fact that competent authorities and people in general have always had a distorted perception of the counterfeiting phenomenon whose negative effects have always been considered only from the economic point of view.

So, due to the low risk of this illicit activity very profitable, criminal organizations have began to control all phases of the value chain. The actual size and diffusion of fakes would simply not be possible without the involvement of organized crime that often exploit channels already in use for other illegal activities as drug trafficking, and therefore safe. Different criminal organizations located in different countries often cooperate and have established close ties and control single stages of the value chain.

It is also necessary to consider the exploitation of illegal labor; one of the consequences of the involvement of criminal organizations within the counterfeiting market is the massive use of workforce for the production of this huge volumes of goods or for their sale in the streets; workers exploitation is widespread and often involves minors; they often are obliged to work in poor hygienic and safety conditions. This also implies the link to human trafficking and illegal immigration always managed by the same organization.

Another consequence of the entry of criminal groups within the management of counterfeiting is the elevated intimidation power of these organizations, sometimes even toward public authorities.

This means that counterfeiting is for the racket an "investment" safer and less risky, and, consequently, more dangerous for the society as a whole.

Moreover some people sustain counterfeiting is becoming the preferred method of funding for a number of terrorist group.²⁰ As told before, in general law enforcement does not treat counterfeiting as a high priority crime.

In addition, we must also consider that normally the main aim of investigations is usually the seizure of counterfeit goods and the identification of the production place in order to stop it and not the final destination of the flow of money generated by this illegal activity. Furthermore terrorist financing is difficult to investigate due to the complex flows of money often in cash form and often laundered and numerous individuals through which the money transits before becoming available to the relevant terrorist group.

This link can be direct when the terrorist group is directly involved in the production, distribution of counterfeit products and uses these funds for the activity of the group; or indirect when sympathizers of the group are involved and knowingly remit part of the funds to the terrorist group via third party.

7. Efforts to combat counterfeiting

Actions to limit counterfeits can arise from both supply and demand side, considering the tactics companies employ to deter counterfeits²¹ and the motivations that make a counterfeit an interesting option for some customers

Without any doubt the most efficient way to contrast this phenomenon should be the consumer education in order to explain dangers hidden behind a fake. It is important for consumers, rights holders and government officials to be aware of the counterfeiting problem. In fact all surveys underline how people do not feel guilty for their purchase, but then what to do? Organizing meeting, education programs in high schools, but not only, for instance so that teenagers understand that it is not “cool” wear fakes. What is more, they must be conscious of the consequences caused by the involvement of organized crime in such activities and of working condition of those involved. Increasing awareness includes also the development of information through surveys, or the organization of media campaigns and exhibitions.

In particular everyone must be conscious of the following things:

- Counterfeiting is an illegal activity and with the purchase of a fake we support crime organization;

²⁰ Noble 2003.

²¹ Chaudhry *et al.*, 2005

- counterfeiters evade taxes;
- counterfeiters exploit illegal labor and workers are often obliged to work in poor hygienic and safety conditions;
- counterfeiting proceeds fund other illegal activities;
- the purchase of a fake means support to all the things stated above.

A good legal and regulatory framework is essential for combating counterfeiting, but it is not sufficient. Enforce law first of all. Therefore an increase in penalties provided by criminal law for those producing and trading counterfeit goods and the use of more sophisticated investigative techniques.

Furthermore cooperation, coordination and communication among custom administrations, other government agencies and institutions, and the private sector, at national, regional and international levels should be enhanced since this phenomenon is borderless. The government has the tools to enact laws; the right holders have the technical expertise to distinguish counterfeits from original products, and may have additional information regarding the functioning of distribution channels. With respect to imported items, industries are cooperating with customs and other enforcement authorities to identify and intercept counterfeit goods.

Industry efforts to combat counterfeiting includes the creation of “The Business Alliance to Stop Counterfeiting and Piracy”, which was launched in 2004 by the International Chamber of Commerce with the main aim of connecting and mobilizing businesses, across industries, sectors and national borders in this fight. Most economies participate in international forums such as WTO, WIPO or WCO and have been active at the bilateral or regional level, providing training and engaging in joint enforcement activities.

Rights holders can act limiting distribution of counterfeit products by vigorously overseeing the movement of their products from production centers to retail sites. There is a related need to work actively with suppliers, distributors, retailers and consumers to encourage them to be vigilant in acquiring items.

What is more, Italy has a further tool peculiar to this country that is the winning strategy to overcome counterfeiting problem and represents the real competitive advantage of the Italian fashion system: the value of craftsmanship. This has no value and is not imitable. The link with craftsmanship, the capability of cleverly using the resources of the artisan net – the so called artistic craft professions – and the peculiarity of the Italian productive system (characterized by the system of districts where the convergence of interests and the co-evolution between firms and territory are realities that have been present for many years) are

still three fundamental points on which we can focus on to renew the quality and to communicate the concept of the beauty of the products, in a few words, the concept of “genuine” product of the highest quality.

In Italy, unlike other countries, the whole pipeline is still in use, from the production of fibers to the spinning, weaving, dying, printing, finishing, manufacturing and distribution of the products, without omitting of course project, design and communication strategies. On the one hand this aids the development of the illegal activity of copying since the large opportunity of choice. On the other hand, the tight cooperation among all actors of the different stages is a big force against the illegal phenomenon. The real strength of the Made in Italy crest is the quality of its brands and the whole image of creativity, refinement, and culture of the industrial system, the entrepreneurship of the “*sistema paese*”, the research and innovation. All this cannot be replicated. However this does not stop the counterfeiting fight due to its social relevance.

8. Conclusions

In this work I have tried to outline the main characteristics of the link between counterfeiting and fashion system and the consequences for the civil society. Three elements have emerged: the size of the phenomenon, the low level of awareness among the competent authorities and the civil society of the seriousness of the problem, and, finally, the link with organized crime and, consequently, its social dimension.

About the dimension, estimates shows that counterfeiting is worth some 350 billion Euro every year and the fashion industry appears to be the most affected. If we consider seizures/detentions, the top four reported values of commodities are clothing accessories, watches, footwear and clothing: Nike, Louis Vuitton and Tag Heuer are the most copied brands. Indeed, no one feels guilty for buying a fake Gucci bag or an Armani item, since these fashion houses are believed to be the unique responsible; they could put on the market their products at lower costs. Furthermore, thanks to the newest technologies and Internet it becomes easier to imitate and make popular products of quality that are almost identical to the originals. In any case these kinds of goods cannot cause harm to health as counterfeit food and medicine would do.

But what about indirect consequences? The truth is that it is unknown or, better, people act as they did not know what there is behind a fake; they consider only economic losses and not that it has become a social problem.

Actually, counterfeiting is for organized crime a lucrative investment area like the production and distribution of drugs, the management of prostitution and gambling, the control of illegal immigration and black labor; this activity can be both the source of profits to fund other illegal activities or the destination to launder illicit proceeds. Nowadays organized crime makes use of tools and channels already tested for other activities and therefore safe. Moreover it is regarded with particular indulgence by public opinion and, sometimes, by the judiciary itself.

Competent authorities and people in general have always had a distorted perception of the counterfeiting phenomenon whose negative effects have always been considered only from the economic point of view. So, due to the low risk of this illicit activity very profitable, criminal organizations have begun to control all phases of the value chain.

So what to do? The unique solution to effectively limit counterfeiting market is to reduce consumer demand. *In primis*, it is necessary to raise general awareness with regards to the involvement of organized crime and of all other illegal activities. This lack of attention has allowed the phenomenon to evolve, becoming increasingly sophisticated and dangerous. It is therefore a very complex relationship run by the same criminal organizations that deal with everything from production to distribution and use of proceeds.

The answer to the question must therefore be multi-sectoral and multi-disciplinary and requires cooperation and coordination among all entities involved, public and private, national and international.

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APPENDIX

Table 1: estimate of the impact generated by counterfeiting on the Italian market, 2008

Turnover (million of Euro)	7.107
Lost production (million of Euro)	17.817,1
Lost added value (million of Euro)	6.098,5
Lost jobs	129.842
Lost taxes (million of Euro)	5281,5

Source: CENSIS 2009

Table 2: estimate of the counterfeiting market in Italy by categories, million of Euro, 2008

Food and beverages	1.153,7
Perfumes and cosmetics	114,2
Clothing and clothing accessories	2.608,2
Electrical equipment	688,7
Computer equipment	224,1
Cd, dvd, cassettes	1.646,7
Watches and jewellery	508,5
Toys and games	31,2
Medicines	19,4
Vehicle spare parts	112,3
Total	7.107,0

Source: CENSIS 2009

Table 3: number of seizures by categories of goods 2008-2011

Number of seizures	2008	2009	2010	2011	Total
Clothing	3.724	4.094	3.883	3.113	14.814
Clothing accessories	6.914	7.287	6.386	4.967	25.552
Other items	1.444	1.356	2.076	1.701	6.577
Electrical equipment	489	726	10142	1.139	3.496
Electronic and computer equipment	61	76	135	125	397
Shoes	2.828	3.401	1.883	1.447	9.560
Cd, dvd, cassettes	84	100	100	61	345
Toys and games	238	311	377	227	1.153
Glasses	1.338	1.126	1.002	870	4.337
Watches and jewellery	867	1.142	1.294	1.619	4.922
Perfumes and cosmetics	54	64	53	35	206
Total	18.041	19.683	18.331	15.304	71.359

Source: IPERICO 2012

Table 4: number of articles seized 2008-2011

Number of articles	2008	2009	2010	2011	Total
Clothing	11.837.392	12.753.112	12.781.043	6.218.729	43.590.276
Clothing accessories	8.257.589	29.983.001	4.975.004	9.115.830	52.331.424
Other items	10.492.727	6.130.907	26.834.232	23.278.889	66.736.755
Electrical equipment	1.629.368	1.197.981	681.837	3.345.619	6.854.805
Electronic and computer equipment	75.703	81.336	183.099	279.278	619.416
Shoes	5.529.665	4.143.310	1.807.529	1.344.778	12.825.282
Cd, dvd, cassettes	277.812	291.236	1.330.625	203.537	2.103.210
Toys and games	1.499.532	11.284.521	10.406.511	4.989.188	28.179.752
Glasses	1.387.536	699.188	542.757	3.802.051	6.431.532
Watches and jewellery	407.220	326.568	1.356.597	892.459	2.982.844
Perfumes and cosmetics	662.157	1.251.725	3.108.766	1.020.828	6.043.476
Total	42.056.701	68.142.885	64.008.000	54.491.186	228.698.772

Source: IPERICO 2012

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