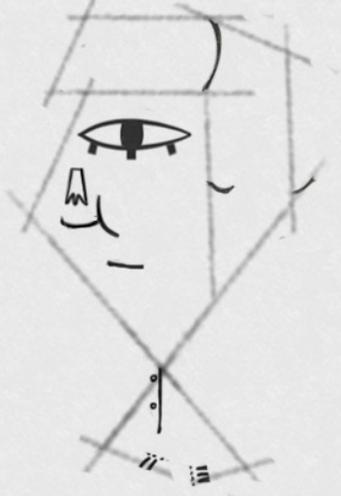
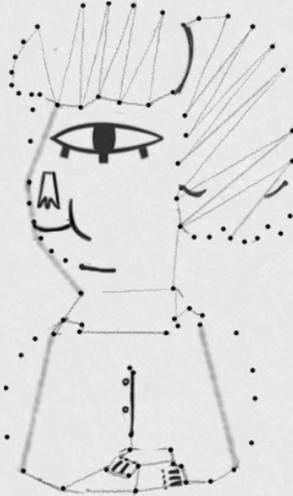


On Top of the Underworld: Foiling Counterfeiters from Stealing Brands and Endangering Lives



PINKERTON®

Pinkerton is a trusted and leading Corporate Risk Management firm. The world's largest companies rely on Pinkerton's global network of resources and seasoned team of branding and intellectual property experts to safeguard their brands and products even in the world's most remote locations.

Day and night, intellectual property (IP) protection companies scour the earth searching for and dismantling counterfeiting operations on land and by sea. While counterfeit goods may be a slap in the face to unknowing consumers, a company has much more to lose. This is big business, and trillions of dollars — and lives — are at stake.

Intellectual property attorneys, brand owners and private investigators have faced counterfeiters for centuries. Traditionally, criminals manufactured fakes, or stole branded products, reselling them as if they were authentic goods. They profited from stealing brand trust built at great expense and effort over time.

Now, counterfeiting exceeds \$1 trillion annually, producing global networks of savvy criminals, stealing and faking in epic proportions.

"Every company has intellectual property," explains Stephen Ward, a managing director at Pinkerton, a corporate risk management firm. He notes that intellectual property can range from a large company's brand and product line to a small business selling house paint. He says while one obviously has a lot to protect, the paint company has just as much to lose. If someone makes a knockoff paint and it contains lead, then a child eats a paint chip and contracts lead poisoning, the legitimate paint company could lose everything.

Pharmaceutical companies are always working toward removing counterfeit drugs from the market for the same reasons. And it's quite a battle. Ward, a veteran in protecting intellectual property for clients, says in Kenya the counterfeit market for prescription drugs is so prevalent that 80% of the drugs in that country are estimated to be fakes.

Even more disturbing is that an estimated 30% of parts made for our military, including bulletproof vests, have been found to be inferior counterfeits.

Sometimes it's on a much smaller scale of repercussion. For example, a well-known soft drink company employs undercover agents to examine the myriad of drinks

on the market, protecting the company's signature, patented bottle shape.

"It's all about protecting the brand," Ward says.

I'm Being Ripped Off

A company usually discovers it is a victim of counterfeiting by an unexplained change in sales, explains Ward. Many firms also find out from their own customers that they may be getting ripped off.

"Most people are shocked at how loyal customers can be," he says. Consumers sometimes forward emails that look suspicious or fans of a designer shoe brand may see what they consider a knockoff in a store, and they alert the company. And when a company realizes its brand is being compromised, it should take every step to stop it immediately.

"Ninety percent of the work we do is aimed at getting fake products off the market," notes Ward. "But the tighter the controls, the more apt counterfeiting won't occur." He says that delivery company, UPS is proactive in that sense, holding seminars on what to look for and designating special phone lines for employees to call.

Ward notes that problems usually start in a company's own supply chain. A manufacturer in a chain not properly monitored may begin by selling some of the company's legitimate product on the gray market, then advance to manufacturing counterfeits. And sometimes it's right under the company's nose. A high-end designer handbag company discovered knockoff purses were being made at its very own factory by second shift employees using scrap material from the day shift.

Counterfeiters are also adept at creating false brand identities on the web, enough so that some companies, like Breitling watches, refuse to sell online.

"Brick and mortar locations are still your best bet for buying genuine goods," Ward says, noting he believes

99% of storefronts are legitimate. Nevertheless, he has seen an entire brick and mortar electronics store in China set up to sell fake brand name products, complete with employees wearing counterfeit logoed uniforms.

“According to the Association of Certified Fraud Examiners, 82 percent of small- to mid-size businesses report they have experienced employee theft.”

How It All Goes Down

If you have reason to believe your company is being victimized by counterfeiters, you need to act fast. Contacting a company like Pinkerton puts the wheels in motion, starting with an investigation. Ward says Pinkerton’s fact-gathering includes undercover work and cyber surveillance. If it is determined there is a counterfeiting operation in progress, Pinkerton will conduct a civil seizure of merchandise and instruments of infringement, including paperwork, potentially incriminating items and computer hard drives, the latter of which are extremely important. Computer forensics services help obtain crucial intelligence about counterfeiters’ operations and revenue from the sales of counterfeited goods. “Without solid, admissible evidence of the actual revenue generated by these sales, a brand owner’s financial recovery against a counterfeiter can be unnecessarily limited,” says Mimi Rupp, Associate Counsel with Kenyon and Kenyon LLP, a New York-based intellectual property law firm.

Photos, video and surveillance reports about various counterfeit factories also increase the IP team’s ability to make the right decisions on behalf of brand owners and determine a course of action.

Ward says firms like Pinkerton delve into all aspects of where counterfeiters may be doing business. They conduct cyber surveillance (especially looking at online auctions), and they buy and sample products from sellers of counterfeit goods in order to develop relationships with those sellers. They use those relationships to eventually locate the origin or ring leader of the counterfeiting operation. Pinkerton also looks internally for any corporate espionage, which can be quite prevalent. According to the Association of Certified Fraud Examiners, 82% of small- to mid-size businesses report they have experienced employee theft.

And it’s in this underworld of deceit and corruption where you will also find some of the oddest bedfellows. It is here you discover brand giants in corporate America, who compete daily for market share and sales, collaborating and working as one to protect their biggest asset — their brand.



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