

## **Footwear News**

October 10, 1994

### **Rounding up the global gangsters**

There's a war raging. The weapons are high-tech, the losses are costly and the battlefield wraps around the globe.

It's the counterfeit footwear war and the hits aren't in blood or manpower; they're in millions of dollars lost by legitimate brands, retail profits and intellectual property rights. And the bad guys are just as devious and dangerous as in the battle zone, shrouded in international organized crime shadows just as sophisticated as in a James Bond movie.

The stakes are enormous. An estimated \$100 million a year in world trade is lost to counterfeiters and the damage to trademarks and retailers is immeasurable.

While the stepped-up effort of the major athletic shoe brands have counterfeiters on the run at home, the problem still flourishes elsewhere. Just five years ago it occurred in the U.S., Germany, the U.K., Italy and France – now the primary hot spots are Asia and Russia, where the counterfeit market has sprouted so fast it's ranked the third biggest problem country. Russia and the Ukraine are so immersed in the market there are now Russian signs in Korea where they drive the business with cash-and-carry deals.

And although Korea's once-thriving counterfeit business to the U.S. has been contained somewhat, the art has traveled to China, Indonesia and even Vietnam, with outlets in Europe and Russia. In fact, Reebok, which has an extensive anti-counterfeit program, has conducted several raids in recent months and uncovered 75,000 pairs of bogus shoes in China.

Reebok's team has stifled counterfeiting operations across the world and kept ahead of new ones as they sprout in Russia and Vietnam, and has already filed charges in Vietnam, whose shoe industry shows signs of major growth.

It's a problem needing recruits from every phase of the industry. Anyone discovering leads is protecting their own jobs and industry by releasing them to a company, customs officers, local enforcement agencies or even Interpol, the international police agency.

Every counterfeit shoe sale hurts not just a brand but retailers and consumers as well –the retailer involved loses legitimate income and the customer is conned into paying good money for a worthless fraud.

But like any organized crime, counterfeiting is a worldwide network. What's made in one country is sold to another and then distributed in yet another. To crack those rings, shoe company investigators must be just as creative, building their own networks and attacking what often are highly sophisticated, and sometimes even dangerous, veils of secrecy.

And as the counterfeiters grow more high-tech, companies battling them must stay one step ahead, according to James Mintz of the New York-based James Mintz Group, a veteran counterfeiting private investigator.

One case dripping of international intrigue broken by Reebok involved Taiwanese manufacturers, Singaporean traders, U.S. brokers and Japanese buyers, with the goods intercepted in Singapore and Belgium. Reebok caught everyone involved and filed charges in five countries, according to Mary Ann Alford, intellectual property counsel for Reebok. The counterfeiting networks travel so far that in the last five years Reebok has filed charges in some 40 countries.

Alford notes raids in one country often lead to information, usually in foreign languages, involving bogus schemes in other lands, forcing companies to be ready to react at any time. One raid in China, where Reebok has a Mandarin speaking undercover agent, uncovered Chinese documents allowing it to seize shoes in Spain only eight days later.

The only answer to cutting off new markets is starving the source supply in China and Korea, Mintz notes. "There's a war going on and this is how you win it," he says. "The answer is not more raids. It's going up the ladder."

Mintz, who helps train company investigators, says the answer is going to the top. Just as pulling drug dealers off the street doesn't stop the flow of drugs, grabbing low-level counterfeit sellers doesn't halt the flow of bogus goods. You have to be creative, evolving your own techniques, developing target lists, staying in constant contact and sharing information on whom to target. And as in the drug world you have to keep an eye on dealers caught in the past to ensure they stay clean.

One successful technique used by Reebok to identify counterfeit rings is creating a triangle of their network – figuring out the leaders at the bottom, the middle and eventually the top. By continually comparing this type of input, a picture emerges of the leaders and how best to shut them down.

Work by people like Mintz and Alford has raised the training level of investigators, leading to a more informed and involved footwear community. Companies like Converse, Fila, Vans and Timberland have all cooperated with Reebok successfully and the more informed the industry grows, the more success it will have in the future.

Alford advocates a proactive approach to halt the rapidly shifting problem. "Anybody who says 'we always do it that way' doesn't have a clue because it's always a shifting situation. What works in New York may not work in Paraguay or Taiwan."

\*\*\*\*\*