

Aneliya Mussanova
University of Wrocław
mussanova.aneliya@gmail.com

Reasons to counterfeit: Supply, demand and distribution of counterfeit goods

Date of submission: 3.06.2021; **date of acceptance:** 20.11.2021

JEL classification: L60, O34, F1

Keywords: consumer goods, copyright, intellectual property rights, international copyrights, international trade

Abstract

Reasons to counterfeit: Supply, demand and distribution of counterfeit goods

This research empathizes with the opportunities that drive demand for counterfeit goods. Governments, organizations and rights holders struggle to regulate the distribution and consumption of counterfeit products, so that consumer awareness has emerged as to what goods people counterfeit, and most importantly, why people intentionally buy counterfeit items. This article illustrates the incentives that inspire buyers to purchase counterfeit products, tactics that brand owners use to fuel their interest. It involves the development of demand, marketing tactics, and the implementation of consumer approach strategies by brands. It also reveals the complicated logistics and transporting routes creating manufacturing and transit hubs for counterfeiting; it also demonstrates the lack of government intervention as well as the desperate need for policy revision. This article shows counterfeiting is phenomenon that governments, organizations, and most importantly, consumers all have equal interest in fighting against.

Introduction

Intellectual property rights are meant to shield the holders of these rights from their work being falsified and pirated. Counterfeit goods have taken on a major market segment and are continuing to develop, covering new markets and widening existing ones. It is a huge hazard to public health and safety, as well as to the rightful owners and to the entire economy. The best estimate of trading in counterfeit goods worldwide is 509 billion USD in 2016, which represents 3.3% of the world trade.

And the number keeps growing. In addition, this number only includes physical products which have infringed on trademarks, design marks, patents and copyrights. No intangible counterfeiting, including online piracy, was included. I will attempt to stick to that, as digital counterfeit and pirating is even more complicated and more difficult to monitor the industry and further investigation is required. Market coverage of counterfeiting is enormous, the consequences are horrifying, and the future potential is appalling.

1. Counterfeit industry

Anyone who has a brand or wishes to preserve its production becomes a likely target of counterfeiters. Thanks to its intricate infrastructure and extensive supply systems, the entire industry exists. It has expanded and reached new heights in numerous industries, supplying infringements worldwide. Countries suffering from rights breaching are mostly OECD countries. The list of top markets affected by counterfeit goods are shown in Figure 1.

Nearly 25% of all seized counterfeit goods were breaching the IP rights of holders originated from US, and more than 60% from EEA and Switzerland. This report shows that it is mostly Western countries which are affected by counterfeit production, but we can also notice the tendency towards IP infringements in Asian countries, especially Japan, Korea and China.

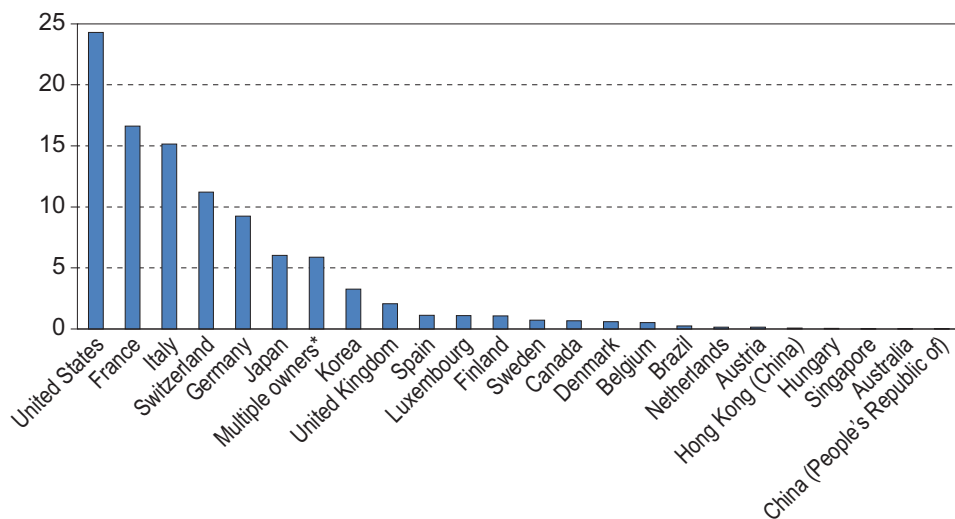


Figure 1. Top economies of origin of right holders whose IP rights are infringed 2014–2016

Source: OECD/EUIPO (2019), *Trends in Trade in Counterfeit and Pirated Goods*, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/g2g9f533-en>.

Counterfeit production has spread out on all the levels in various industries. More and more businesses and right holders are affected, so they are forced to find solutions to overcome the fake goods being supplied to their potential customers and provide tools to verify the authenticity of their products. Currently, the main targeted industries are clothes, shoes, accessories, and leather goods. Products from these categories are affected in more than 50% cases among all the industries that have their rights infringed.

In addition to clothing and other fashion-related products, there are infringements in product categories that are potentially more harmful to the health and safety sectors of customers. See Figure 2 for the full list of industries suffering from counterfeiting.

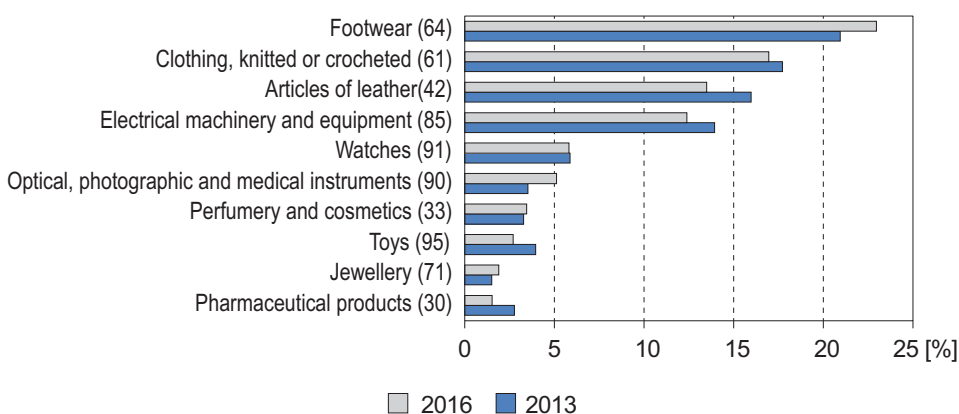


Figure 2. Product categories most subject to counterfeiting in 2013 and 2016

Source: OECD/EUIPO (2019), *Trends in Trade in Counterfeit and Pirated Goods*.

The comparison of the years 2013 and 2016 is also shown in figure 2. Over 3 years, the ranking trend remains quite the same, with footwear at the top and even increased counterfeit supply over that period of time. Industries such as toys, pharmaceutical products, optical and medical equipment, and cosmetics, are all in violation of IP rights. Such products can put consumers' health and lives at risk. Figure 2 illustrates an improvement in the segments of potentially dangerous industries, such as electrical machinery and equipment, optical, photographic and medical instruments. There have been instances where certain particularly dangerous products, such as contact lenses, dental supplies, and baby formulas have been confiscated by customs officers.

Table 1 shows the product categories being counterfeited and supplied worldwide. The list includes lifesaving medication, as well as substitutes used in cosmetics and products consumed in body-building and dieting.

It is certain that the counterfeit industry presents a significant threat to the health and safety of customers, the credibility of companies, and economic growth.

Table 1. Extract list of falsified medical products in 2013–2017

Type of product	Number of member states reporting	Total number of product reports	Percentage of all products reported to databasea
Anaesthetics and painkillers	29	126	8.5
Antibiotics	46	244	16.9
Cancer medicines	19	100	6.8
Contraception and fertility treatments	19	29	2.0
Diabetes medicines	7	11	0.8
Heart medicines	22	75	5.1
HIV/hepatitis medicines	9	43	2.9
Lifestyle productsb	37	124	8.5
Malaria medicines	26	286	19.6
Mental health medicines	19	45	3.1
Vaccines	11	29	2.0

Source: World Health Organization (2017), *WHO Global Surveillance and Monitoring System for substandard and falsified medical products*.

It has a complex infrastructure and can be divided into 3 key parts for simplified analysis: counterfeit supply (who makes it, why there); counterfeit demand (why people purposely buy counterfeit goods); and counterfeit distribution (how it reaches customers).

2. Counterfeit supply

Route mapping and sourcing of counterfeit goods to the world market is quite complex, as there is producers and transit points. China and its mainland, Hong Kong, are absolute leaders in the counterfeit market, occupying more than 80% of the segment for producing and exporting counterfeit goods, though great importance is given to economies with potential for producing and transiting infringements, such as India, Malaysia, Pakistan, Thailand, Turkey, and Vietnam. Their market share is significantly smaller compared to China, but the environment created gives more and more advantages for future development. These economies should be analyzed from the production point of view, as well as their geographical location advantage and export import policies.

2.1. Production cost and regulations

Later in this article it is stated that one of the main reasons for consumers purchasing counterfeit goods is price. In order to be competitive, counterfeit producers

have to make their product as cheap as possible. There are two mostly used ways of reducing the cost of production, using cheap labor or using cheaper raw materials. They use both techniques in counterfeit production.

Since counterfeit products have to be many times cheaper than the original product, manufacturers do not worry about using low-quality raw material suppliers (if any quality at all). In industries related to chemistry and medicine, such as cosmetics, medicine, and so on, this is potentially more dangerous. Urine, superglue, and rat droppings have been found in seized cosmetics in the United States (Johansen, 2019). Levomethorphan has been discovered by a manufacturer of raw materials in India in a cough syrup supplied worldwide which caused deaths and health injuries (WHO, 2017).

A further criterion used by counterfeit manufacturers is low labor costs. Labor is cheaper in developing countries with weak labor regulations, high corruption and lack of government policies. As per OECD – EUIPO 2019 report, there is a direct correlation between the existence of free trade zones, FTZs, and counterfeit trade in economies (OECD/EUIPO, 2019). In general, FTZs are intended to attract and increase production potential and international trade in an economy with favorable conditions for certain types of goods, such as lower tax rates. At the same time, the government should ensure the manufacture and export only of approved goods. Nevertheless, manufacturers are willing to manufacture counterfeit goods because of high corruption and low government regulation, and import them worldwide. Therefore, all liability for not allowing infringements to hit final customers lies with the recipient countries (the EU, the USA). In addition, some major transfer hubs, such as Hong Kong and Singapore, have no sales tax or VAT and free-trade ports, as well as no taxes on imports of goods from mainland China for export.

One example is the story of hoverboard development and the inventor's IP rights being breeched. Shane Chen, a hoverboard inventor in the United States, decided to use a crowdfunding platform to raise funds for his startup back in 2013 and uploaded first prototype hoverboard to attract investments. According to the data given by the Chinese government to Chen when he raised a petition for IP rights infringement, the demand for hoverboards boomed worldwide by 2015, with over 600 factories manufacturing in China and exporting goods with a value of 4.6 billion USD. In 2016, without acknowledging the inventor's rights, the number of factories making hoverboards rose to more than 1,000. No lawsuit resulted in the plant being closed down or the rights holder being compensated for his missed business opportunity. Moreover, giant supermarket chains in the USA (Walmart, Target, Best Buy, Toys "R" Us, Sears, Kmart, Bed, Bath, and Beyond) and online platforms (Amazon, eBay, and Alibaba) all sell counterfeit hoverboards in their stores and platforms, which violates Chen's IP rights (Shepard, 2018).

Craig Crosby, an employee from a company advocating for consumers to combat counterfeits in the USA says, "Anybody can make anything now with no respect to intellectual rights and capitalize on the trademark that somebody's built

and destroy that company [...] and that's exactly what they're doing and they're making an enormous amount of money off of this" (Shepard, 2018).

2.2. Geographical location

This point, along with the high level of corruption and international trade policies, should be combined and evaluated. This covers all aspects, from the simple accessibility of transport routes (ports, railways, airports) to the geographical position of the country. As per the 2013 OECD report, Turkey is not only a growing producer of some counterfeit goods, but also delivers these items to the EU by road, due to its convenient location. Saudi Arabia, the UAE, and Yemen are the main transit hubs for counterfeit goods supplied to Africa. Albania, Egypt, Morocco, and Ukraine play significant roles in supplying counterfeit goods to Europe, and Panama is the main source of counterfeit flow to United States. Due to the close geographical position and the sharing of borders with their final customers, all these transit points are vitally important.

3. Counterfeit demand

There are 2 groups of customers in the counterfeit industry, those who buy infringed goods with assurance that they are original and those who purposely buy counterfeits. Consumers most likely to belong to the first category will clearly be treated as deceived consumers; their claim is likely to be settled by returning the item and receiving a refund because customers in OECD countries are protected by law and considered as the weaker party (European Parliament and Council, 2004). On the other hand, consumers belonging to the second category are completely aware that what they buy is fake and a refund or any other reimbursement may not be considered. Therefore, the reasons customers buy counterfeit products when they understand that their purchase is a copy are discussed below.

3.1. Trend creation

The main reason is the desire to follow and show off the latest trend for fashion-related products (clothing, accessories, cosmetics, footwear). But trends are created and regulated by brand owners. Before a product is even placed on the market, they prepare the market by using certain marketing techniques and increasing brand awareness. For example, before the product launch, a brand owner runs marketing and advertising campaigns, cooperating with celebrities and social media influencers to create demand. But then, as part of the strategy, they produce less than the demand, artificially creating a lack of product on the market, and when new prod-

ucts drop, they generate higher demand. When the product is available the next time, customers get more excited to purchase such an item. It drives the attention of buyers, lets them subscribe and follow up on product pages, and provides those who first got the product with extra satisfaction. In marketing, it is called the scarcity strategy. But this obvious gap between supply and demand also creates an opportunity for IP infringement.

A demonstrative case is shown in a Netflix documentary about counterfeit cosmetics in the USA. Victims who suffered health consequences from using fake cosmetics, shared that, among all their other reasons to purchase counterfeit skin care cosmetics, was the fact that certain brands were sold out once they arrive on the market. So, they decided to purchase the counterfeit one. “If you buy something that says Kylie lip kit, it’s a status point. It says something about you. It says you can afford it and you take your look seriously, and you’re using what everybody else does,” says one of the victims in the Netflix documentary about counterfeit cosmetics, who suffered from their lips being glued together after using a fake lipstick from Kylie Cosmetics (Johansen, 2019).

3.2. Online marketing

The tremendous use of social media and increased number of public influencers online also shifted consumer approach strategies. Brands began to allocate more budgets to digital marketing and social media, including product testing by bloggers, social media celebrities and video content makers. Recent research reports that 81% of businesses in United States spend at least USD 500,000 every year on digital marketing, and 99% of companies plan to increase it (Herold, 2018). Companies spend all this money in order to find a way to approach more customers and sell them a product.

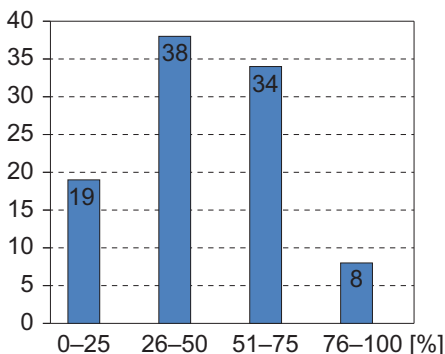


Figure 3. Percent of overall marketing budget devoted to digital marketing in USA

Source: *Digital marketing survey*, <https://themanifest.com/digital-marketing/how-businesses-invest-digital-marketing>.

From this figure, we can see that the majority of companies in USA allocate 34–38% of their marketing budgets to digital marketing, which involves the expansion of brand awareness, creating demand and so on.

All these digital and non-digital techniques are used to draw consumers' interest and influence their purchasing decision making. By keeping up with the trends created, consumers demonstrate their status by holding the branded good, to prove that they can pay for it, showing off their image and following the trends. Consumers buy counterfeit products, fully aware of what they buy and that it is produced illegally.

3.3. Price

As mentioned before, one of the main decision drivers for intentionally purchasing counterfeit goods is the focus on price. It applies to all markets where counterfeits are in demand, including developing countries. If fashion-related goods are for peoples' esthetic satisfaction, other products, such as pharmaceuticals, are being counterfeited and offered for lower prices in markets such as Africa for practical reasons. It became an appealing source of infringements because it is an economy where people do not have medical insurance coverage and are forced to look for other alternatives on the black market. Up to 42% of the world's supplies of falsified medical products are sent to Africa. Figure 4 shows the regions where falsified medical products have been discovered and reported to the WHO between 2013 and 2017.



Figure 4. Percentage of counterfeit medical products reported by regions in 2013–2017

Source: WHO. (2017). *WHO Global Surveillance and Monitoring System for substandard and falsified medical products*. Geneva: World Health Organization.

From the graph, we can see that not only African regions suffer from counterfeit pharmaceutical products; it is an issue at the global level. As was shown in Table 1, the list of pharmaceutical products which are being counterfeited includes antibiotics and HIV treatments, and essentials for products used for cosmetics and fitness-related industries.

The main reason people in Africa are buying counterfeit medication is because of its price. People do not have insurance coverage and the public health system does not cover medical expenses for them, along with a lack of government regulations and control of counterfeit of medicine trafficking as described in the previous chapter (WHO, 2017). All this makes ill patients and their relatives purchase whatever is offered for an affordable price.

So far, supply and demand for counterfeit goods has been addressed: how demand is generated using strategies which artificially produce market shortages of goods, and how later, this gap is breached by counterfeit producers, along with reasons for people to purchase counterfeit intentionally. A country's trading policies, the existence of free trade zones, and overall government control over counterfeit goods play significant roles in counterfeit production and its supply. The next section will describe how fake products reach customers and why it is so hard to control.

4. Counterfeit distribution

Counterfeit goods, just like any other goods, are distributed and sold both online and offline. A physical store is a place where people go to make a purchase, whereas online sales are more complex. Thanks to an online presence, businesses and right holders are able to expand internationally, often without being presented in the region, create better contact with their current customers, and expand customer databases online. All that is needed are a platform (website, online shop) and delivery partner (couriers, post offices, logistical companies). But as much as it is convenient for companies to grow their business on the internet, it also gives an opportunity for counterfeit goods to be distributed globally, with the providers staying anonymous.

4.1. Internet and e-commerce

Nowadays, consumers are able to purchase a product from anywhere in the world from their own home with merely a few clicks. Internet and e-commerce have provided a great platform for companies and brands to go global and provide their goods and services worldwide. But along with the development of globalization, online counterfeit businesses grew too.

Such companies as Amazon, Alibaba, and eBay became giant multinationals by offering digital platforms for online trading. They have thousands of employees worldwide, building warehouse facilities and logistics arrangements, delivering products and services to customers worldwide. Such companies do not consider themselves as sellers; they only provide a platform and play the role of intermedi-

ary between a real seller and buyer, and thus, they are not responsible for the quality of the products advertised on their websites. As service providers, these companies try to fight off the counterfeit products being sold on their marketplaces, but such unfortunate events still happen and customers are entitled to a full refund.

For instance, Amazon in Europe has a policy of “returns for most items within 30 days of receipt of shipment,” so if a customer doubts the authenticity of the purchased product, they can return it free of charge within 30 days (Amazon Germany, 2019a). This kind of purchase falls into the category of when people buy a product certain that it is genuine and for a similar price, and if they happen to receive a fake, they can simply return the item and claim a refund. However, it applies to all purchases, not only those which are fakes sold as the genuine article. Such a policy is imposed by the government protecting consumers’ rights for any sort of purchases, both online and offline. The problem is how a dealer even gets the chance to sell counterfeits on Amazon. The verification of and safety confirmation for products becomes the responsibility of the consumers. Whatever they buy, their validity has to be questioned, established, and verified.

So, if a consumer buys a protein whey jar, for example, from Optimum Nutrition — one of the biggest protein producers and rights holders in the world which suffers damage from counterfeiters. Once the product is received, there is a hidden product code that can verify its authenticity on the official website (Optimum Nutrition, n.d.). So, it is customers’ responsibility to be conscious, get the product code, verify it, and do all this every time they purchase this product online. It is, on the other hand, the interest of the brand to have such a tool and raise visibility because their image is at stake. As a consequence, Optimum Nutrition receives product feedback that somehow has to differentiate opinions from clients who have original proteins and others who have accidentally received fake ones.

Amazon and other online trading platforms provide a place where sellers can advertise and sell their products for a percentage fee from the transaction (Amazon Germany, 2019b). So, the more sellers actually sell, the higher profit these platforms get. Their primary interest is to help sellers to sell more and customers to receive their purchases fast.

4.2. Delivery

The distribution field is related to online commerce. When online shopping increased, so did the need for online orders to be transported quickly. In order to thrive in the world of e-commerce, businesses must build a distribution plan and collaborate with service providers to ensure that orders are processed as quickly as possible. It led to a rapid increase in small-sized parcels business. Mails and parcels can be delivered by air, sea, and road. National post offices, courier companies, or even an individual can handle such shipments. Sizes and packages are

standardized, optimized, and handy. Such a variety of options makes the control process of shipments by custom officers very difficult, and counterfeit distributors benefit from it.

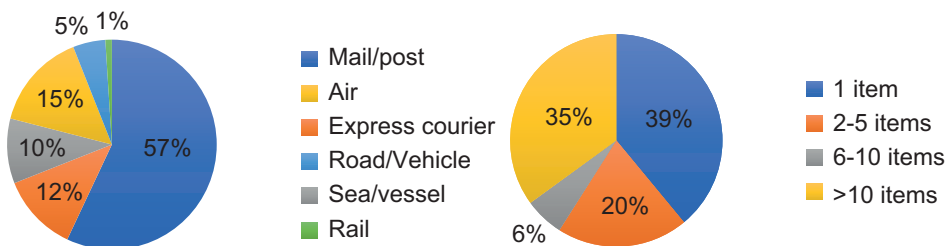


Figure 5. Delivery methods and size of counterfeit and pirated products, 2014–2016

Source: OECD/EUIPO (2019), *Trends in Trade in Counterfeit and Pirated Goods*.

Figure 5 shows the transport methods used to supply counterfeits and their sizes. The main service providers of counterfeit goods delivered in parcels are national post offices and express courier companies. OECD 2019 reports that in the period from 2014 to 2016, almost 57% of all seized counterfeit goods were sent by postal shipments, and another 12% by express courier. So together, small parcels represent 69% of all shipment methods used to transport counterfeit goods worldwide. In a report for the period from 2011 to 2013, together they occupied 63% (OECD/EUIPO, 2019). So, the tendency to use this delivery method for distributing counterfeit goods is growing.

Moreover, the figure shows that in nearly 60% of cases, counterfeit products are sent in packages of up to 5 items, 39% of which is 1 item only. Tracking, identification and seizing counterfeits becomes the full responsibility of custom officers, who have limited resources, and this makes it impossible to provide full legitimacy confirmation for such small parcels.

The Alibaba Group, an international retail platform, offers goods directly from manufacturers and sellers in China to customers worldwide via various platforms such as AliExpress, Taobao, Alibaba, etc. As a delivery method, it mostly uses national post companies and express carriers, shipping to more than 79 million consumers in one year in 2019. The company has launched an IP right protection platform, where rights holders may claim respect for their copyrights by providing a proof of the existence of such. As a penalty for trading in counterfeits, the Alibaba Group dispenses ranking reductions, temporary or permanent blockages of shops and limited access to advertising tools. For Tmall and Taobao, there is a “One/Three Strike Out” (Alibaba Group, 2020) policy, but no additional policy for Aliexpress, the most frequently used online retail platform by Alibaba abroad, was found.

Online platforms and e-commerce sites provide an additional source to interact with customers and provide genuine products for customers. It also provides

a wider variety of choices, better prices, and legitimate services for consumers. But it also created a great opportunity for the counterfeit industry by providing direct access to consumers, benefiting from efficient payment and delivery methods on those platforms, yet staying unidentified without facing any major penalties.

5. The impact of counterfeit goods

The EU has adopted harmonized IP security directives, which are tailored to the rules and regulations of each member state. In order to promote creativity and technological growth, European companies have their copyrights and other IPs secured. Respecting their rights assures support for their business and protection of their intangible assets worldwide. Companies and brand owners are able to invest and expand, providing more job opportunities and improving citizens' standards of living. In particular, IP protection and the regulation of counterfeit productions are crucial for the EU and the USA because they are regions whose rights holders are most affected by counterfeits. The USA, France, Italy, Switzerland, and Germany combined represent more than 75% of the total world economies whose IP rights were infringed in the period from 2014 to 2016 (OECD/EUIPO, 2016; 2019).

The counterfeiting industry took over a large segment in the EU and worldwide markets, covering new industries and enlarging the existing ones. It is a big threat to consumers, companies and rights holders, and the economy as a whole. In 2013, the total EU counterfeit import was 5%; by 2016, the best approximation of counterfeit imports to the EU amounted to 121 billion EUR, which represents 6.8% (OECD/EUIPO, 2016). And the numbers keep growing. Moreover, these numbers do not include locally-produced and consumed counterfeit and pirated goods, nor digital segment pirating.

The industry keeps benefiting from poor governance in production hubs, taking advantages of misuse of small parcels and express delivery. Taxes, lost jobs, lower exports, the stimulation of the black market, and criminal actions are some of consequences to be born not only by the economy as a whole, but also by individual citizens.

As for consumers, the mass market also has the movement to follow trends in fashion, which is one of the main purchasing drivers for when they buy counterfeits. Some luxury brand owners started offering more affordable and yet fashionable designed products through collaboration with the fast-moving mass market; for example, IKEA's collaboration with the OFF WHITE designer, launching the Markerad collection (IKEA, 2019). There's also H&M's collaboration with Jeremy Scott, couture designer from Moschino, and luxury brand Desmond & Dempsey creating fashion collections for the mass market and making designer clothes more affordable (H&M, 2018A; 2018B). "With H&M, Moschino can be all over

the world,” according to Jeremy Scott, couture designer of HMoschino collection. These strategies opened new opportunities for both brands.

Other big multinationals spend millions every year on research and development, finding new designs and cooperation with other multinationals to bring the most innovative and particularly suitable shoes to their customers. Adidas, for instance, spent 153 million USD and 187 million USD in 2018 and 2017, respectively, on R&D alone (Adidas Group, 2019).

The consequences of using illegally-produced and poorly-designed merchandise, such as clothes, footwear, cosmetics, and toys, may threaten consumers' health. Other products, like pharmaceuticals, chemicals, medical instruments, and food can be a major threat to consumers' lives and the environment. So, these consequences must be clearly presented to people, emphasizing the importance of their consumer power and the possible outcomes of inaction. As consumers, they have full power over the demand created in the market.

Conclusion

The counterfeit industry is a huge threat to the global economy and all participating parties. In raising demand for certain items, customers stimulate copyright infringement. Importing parties do not have enough time for all shipments to be completely monitored and examined.

There is a need for government intervention in the domestic and foreign control and regulation of trade flows, establishment and maintenance of cooperation between custom board officers and other government agencies. They must regulate the level of corruption, improve working standards and labor laws, as well as develop consistent product management systems, methods of quality assessment, products' origin, classification, and detailed descriptions. In addition to trade-focused rules, the law protecting intellectual property rights must become an important point, including penalty analysis (the punishment for selling counterfeit goods in the USA is ten days in jail, so most criminals find it worth the risk).

Great attention must be paid to the supply of counterfeit goods in a market. This includes the emerging necessity of revising current regulations and implementing new policies to prevent counterfeiting at all stages: production, transport, and delivery. Authorities in producing and transit economies should share obligations and begin to collaborate prior to the arrival of counterfeits at the final destination. They have to control factories so that they produce what they are registered to produce, as well as tracking the logistics of counterfeit goods. They should be willing to implement and maintain controlling tools, such as product tracking systems (product description, security codes, quality assurance and certificates), and impose IP rights protections on their territories before counterfeit goods are produced and shipped.

After analyzing delivery methods, it can be seen that it is a necessity to establish stricter control measures and cooperation with national and private courier companies to supervise their shipments. Online platforms used as distribution channels by counterfeit suppliers should also be monitored. Companies ought to implement IP protection rules by giving access to their market place only to certified sellers and confirming the business address, and imposing a permanent ban from the site if IP infringement is proven, with an immediate report to authorities for further punishment and/or legal proceedings.

Rights owners, whose interests are directly influenced, may come up with product verification ways (bar codes, product unique codes) which consumers can use to confirm its authenticity. In the free-market, companies are free to choose consumer approach strategies, but perhaps the artificial shortage of products and the production of a lower amount than demanded can be revised as well, to make sure that the quantity produced is as close as possible to the potential demand quantity. This way, the consumers will not be convinced to go to the fake market to get a desired item, and IP rights holders' reputations will not be at risk. This can be applied to industries with goods which tend to produce major trends.

Another category of goods that must be taken into serious account is pharmaceutical products, medical equipment, chemicals and toys. These categories are a large threat to the environment, consumers' lives and children's safety. They represent a lower share in the counterfeit market for now. If all the parties started to control and strictly reduce the amount of counterfeits from the more popular categories, counterfeit producers may simply focus on these industries, creating more sophisticated ways to approach consumers. A list of product categories most frequently subjected to counterfeiting is represented in Figure 2 of this article.

Market coverage of counterfeit goods is enormous; the consequences are horrifying and the future potential is appalling. All three parties, consumers, companies, and governments, have equal interests in protecting IP rights.

References

- Adidas Group. (2019). *Annual Report 2018*. Date of access: 1.04.2020, https://report.adidas-group.com/2018/fileadmin/user_upload/adidas_Annual_Report_GB-2018-EN.pdf.
- Alibaba Group. (2020). *Alibaba Intellectual Property Rights Protection*. Date of access: 16.04.2020, <https://files.alicdn.com/tpsservice/55960da1bb95775db27ddacb1df58866.pdf>.
- Amazon Germany. (2019a). *About Our Return Policies*. Date of access: 2.04.2020, <https://www.amazon.de/gp/help/customer/display.html?nodeId=201819200>.
- Amazon Germany. (2019b). *Conditions of Use and Sale*. Date of access: 2.04.2020, https://www.amazon.de/gp/help/customer/display.html/ref=hp_left_cn?nodeId=201909000.
- BASCAP, International Chamber of Commerce. (2017). Estimating the global economic and social impact of counterfeiting and piracy. *World Trademark Review*. Date of access: 5.04.2020, <https://www.worldtrademarkreview.com/anti-counterfeiting/estimating-global-economic-and-social-impacts-counterfeiting-and-piracy>.

- CSC. (2017). *The Online Counterfeit Economy: Consumer Electronics*. Date of access: 5.04.2020, <https://www.cscglobal.com/cscglobal/pdfs/The-Cost-of%20Online-Counterfeiting-Consumer-Electronics-EN.pdf>.
- Dunham, N. (2019). The 10 Most Common Types of Counterfeit Products. *Money Talks News*. Date of access: 16.03.2020, <https://bit.ly/2XGq20M>.
- European Commission. (2018). Commission staff working document. *Counterfeit and Piracy Watch List*, Brussels. Date of access: 20.03.2020, https://trade.ec.europa.eu/doclib/docs/2018/december/tradoc_157564.pdf.
- European Parliament and Council. (2004). *Corrigendum to Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Right*. Date of access: 1.04.2020, <http://data.europa.eu/eli/dir/2004/48/corrigen-dum/2004-06-02/oj>.
- Eurosender. (2019). *The Pitfalls of Shipping Counterfeit Goods*. Date of access: 17.04.2020, <https://www.eurosender.com/blog/en/shipping-counterfeit-goods/>.
- Frohlich, T.C., Hess, A., Calio, V. (2014). 9 most counterfeited products in the USA. *USA Today*. Date of access: 16.03.2020, <https://eu.usatoday.com/story/money/business/2014/03/29/24-7-wall-st-counterfeited-products/7023233/>.
- H&M. (2018A). *Desmond & Dempsey x H&M: Casual Wear for Summer*. Date of access: 10.04.2020, https://www2.hm.com/fi_fi/life/culture/inside-h-m/desmond-and-dempsey-x-hm.html.
- H&M. (2018B). *MOSCHINO and H&M in Designer Collaboration*. Date of access: 10.04.2020, https://www2.hm.com/fi_fi/life/culture/inside-h-m/moschino-and-h-m-in-designer-collaboration.html.
- Herold, K. (2018). How businesses invest in digital marketing in 2018. *The Manifest — Digital Marketing*. Date of access: 5.04.2020, <https://themanifest.com/digital-marketing/how-businesses-invest-digital-marketing>.
- ICC-BASCAP-Frontier (2016). *The Economic Impacts of Counterfeiting and Piracy*. Date of access: 28.03.2020, <https://iccwbo.org/content/uploads/sites/3/2017/02/ICC-BASCAP-Frontier-report-2016.pdf>.
- IKEA (2019). MARKERAD limited collection. *Ikea News and Collections*. Date of access: 10.04.2020, <https://www.ikea.com/us/en/news/markerad-limited-collection-pub039b6a31>.
- Johansen, S.H. (dir.) (2019). Makeup mayhem. *Broken*, episode 1. Available on Netflix.
- OECD/EUIPO (2016). *Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact*. Paris: OECD Publishing. DOI: 10.1787/9789264252653-en.
- OECD/EUIPO (2019), *Trends in Trade in Counterfeit and Pirated Goods*. Paris: OECD Publishing. DOI: <https://doi.org/10.1787/g2g9f533-en>.
- Optimum Nutrition. *Product Authentication Verification*. Date of access: 16.04.2020, <https://www.authentic-on.com/en-gb/>.
- Sachs, A. (2018). Carrying a real apple or a fake Gucci? Tell a Customs and Border Protection officer anyway. *Washington Post*, 11 June. Date of access: 16.03.2020, https://www.washingtonpost.com/gdpr-consent/?destination=%2flifestyle%2ftravel%2fcarrying-a-real-apple-or-a-fake-gucci-tell-a-customs-and-border-protection-officer-anyway%2f2018%2f06%2f09%2f3ee32f4a-5d3b-11e8-b2b8-08a538d9dbd6_story.html%3f.
- Shepard, W. (2018). The U.S patent system is broken, says the inventor of the hoverboard. *Forbes*, 31 January. Date of access: 12.03.2020, <https://www.forbes.com/sites/wadeshepard/2018/01/31/meet-the-inventor-of-the-hoverboard-who-lost-millions-to-chinese-counterfeiters/#131b554b3c47>.
- The Government of the Hong Kong Special Administrative Region (2019). Low, simple and competitive tax system. *Invest HK*. Date of access: 2.04.2020, <https://www.investhk.gov.hk/en/why-hong-kong/low-simple-and-competitive-tax-system.html>.

- Wang, M.Q. (2019). *AliExpress — International Retail Platform*. Slideshow presented at the 2019 Alibaba Group Investor Day, September 23–24, Hangzhou, China. Retrieved from: https://www.alibabagroup.com/en/ir/presentations/Investor_Day_2019_AliExpress.pdf.
- WHO (2017). *Global Surveillance and Monitoring System for substandard and falsified medical products*. Date of access: 21.03.2020, <https://apps.who.int/iris/bitstream/handle/10665/326708/9789241513425-eng.pdf?ua=1>.