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eWave: Internet overflowing with counterfeit goods

September 14, 2013 11:15 PM

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THE PROVIDENCE JOURNAL / MARY MURPHY

Agents from Homeland Security Investigations and the U.S. Postal Service raid Norman Cipriano's Warwick home in 2012. Cipriano later pleaded guilty to trafficking counterfeits.

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BY KATIE MULVANEY

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PROVIDENCE — Amy Kempe and her friends decided a few years ago that every woman deserved a piece of Tiffany jewelry — regardless of whether she had a special someone to buy it for her.

They started a tradition of chipping in to buy each friend a sterling silver Tiffany charm bracelet for her 30th birthday.

The costs began to mount after a few years, so Kempe and her friends turned to eBay. There they found a seller advertising an “authentic” bracelet for 50 or so dollars less than the typical asking price. They bought it.

They inspected the bracelet when it arrived. They even weighed it before presenting it to their friend, Rachel.

“We were thinking we were savvy shoppers,” said Kempe, spokeswoman for Attorney General Peter F. Kilmartin’s office.

Two weeks later, the clasp broke. Rachel headed to the famed jewelry store to get it fixed.

“They instantaneously knew it wasn’t theirs,” Kempe said. “We all felt just horrible.”

The group smoothed things over with Rachel by investing almost \$200 in the real deal.

“In the end, shame on us. Lesson learned,” Kempe said.



JOURNAL FILES

Amy Kempe, spokeswoman for Attorney General Peter F. Kilmartin’s

Kempe is not alone. What she and her friends experienced is what law enforcement officials describe as the burgeoning world of intellectual property theft. It’s a market fueled by the rise in Internet use as more storefronts materialize online. And it’s proving attractive to organized crime for its high profits and low risk, federal authorities say.

It’s a subject that has the attention of President Obama, who has emphasized the importance of protecting Americans’ intellectual property. U.S. Immigration and Customs Enforcement and the FBI, in collaboration with other agencies, are dedicated to enforcement, seizing counterfeit goods and shutting down Internet domains.

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Intellectual property encompasses copyrights for literature, music and videos; trademarks on name-brand merchandise; and trade secrets. It is an intangible area, but federal authorities place losses associated with counterfeit and pirated products in the billions of dollars. They say American jobs could be at stake.

Whereas not long ago a person could buy a knockoff luxury handbag on a street corner for \$50, today criminals have moved online, law enforcement officials say. There, they might sell a fake name-brand bag for \$450. The higher price tag often convinces shoppers — like Kempe — that the product is legitimate.

“What we’re seeing now is the Internet is becoming the big supplier,” William G. Ross, a special agent with homeland security investigations, told prosecutors gathered last month for a National Attorneys General conference in Providence.

Technology, too, enables criminals to manufacture high-quality items that are virtually indistinguishable from the genuine product, Ross said. It has eased the way for digital piracy of music, movies and software.

“Global dissemination is just the click of a button,” said Zoe Argento, a professor at Roger Williams University School of Law who specializes in intellectual property law.



RWU/PETER SILVA
Zoe Argento

Counterfeit products making their way to America are beyond handbags and faux Tiffany bracelets. They include contact lenses, toothpaste, electrical cords, airbags and cholesterol drugs, according to ICE.

Agents seized more than 600 categories of counterfeit goods in 2011 worth an estimated retail value of \$1.1 billion, if genuine, according to an ICE report.

ICE agents warn of potential safety threats.

J. Michael Netherland, deputy special agent in charge of homeland securities investigations in Boston, looked to the [arrest of Norman Cipriano, of Warwick, last year for trafficking counterfeit products from China](#).

Those goods, valued by law enforcement at \$1 million, included knockoff sports jerseys as well as name-brand perfumes containing cancer-causing substances, Netherland said.

Cipriano pleaded guilty to the crimes last month and is set to be sentenced in October. His lawyer, Melissa Larsen, noted that his plea agreement and indictment do not allege any harm could result from his sale of counterfeit goods.



PROVIDENCE JOURNAL FILES / MARY MURPHY

Homeland Security Investigations agents and the U.S. Postal Service pack up confiscated counterfeit sports jerseys from the raid of Norman Cipriano's home at 200 Bend Street in Warwick on Sept. 19, 2013.

“All you have to do is go to the Internet, and you’ll come across anything you’re looking for,” Netherland said.

Without giving specifics, Netherland said federal agents were tracking counterfeit sales in Rhode Island believed to be linked to Russian and Italian mobs.

“We see it every day,” Netherland said.

The Internet, in particular, has increased the availability of counterfeit drugs through websites masquerading as “Canadian” pharmacies, law enforcement officials say.

While the Canadian government has authorized 300 online pharmacies, 11,000 so-called “Canadian” sites can be found on the web. Those sites — some based in Russia and India — often rely on fake drugs produced in China, ICE says.

"[Phony drugs] are every bit as common as fake handbags," said Peter S. Vincent, chief legal adviser for ICE. The most often counterfeited drug in Pfizer's Viagra.

ICE identifies China as the primary source of all counterfeit goods, with more than 70 percent of seized goods originating there.

"There was no such thing as illegal copying in China [historically]," said Jerry Cohen, a lawyer with Burns & Levinson.

Cohen believes, however, that China will strengthen its intellectual property laws as its citizens develop more products. Those protections will in turn incentivize the country's creative community, he said.

"Until they see it's in their self-interest, it's going to be a hard row," said Argento, of Roger Williams.

Federal authorities are contemplating how to regulate the web. Legislation to tighten copyright enforcement online, titled the Stop Online Piracy Act, failed to pass Congress last year, but provisions are expected to be resurrected.

"We are having discussions about what are the rules on the Internet ... and who's to enforce those rules," Vincent, legal adviser for ICE, said.

But privacy advocates caution that while counterfeit cancer drugs and fake airbags might pose a danger to society, copied song lyrics or the latest cable TV series episode don't necessarily pose such a risk.



PR NEWS

Pfizer's Viagra is the most commonly counterfeited drug, federal officials say.



AP PHOTO/MATT ROURKE

Thousands of counterfeit watches with Rolex logos, seized during a Philadelphia-area investigation, are set before a rolling compactor to be destroyed in Philadelphia in 2010.

The tendency by law enforcement is to treat counterfeit drugs as the same problem with the same solution as people copying "Game of Thrones," said Mitch Stoltz, a staff attorney for the Electronic Frontier Foundation.

"The entertainment industry is a major force here," Stoltz said of efforts to fight copyright infringement and piracy by regulating the Internet.

"Broadly speaking, they want to say what should be on the Internet," Stoltz said. "What you start to regulate is freedom of speech."

Cohen would agree that caution should apply when it comes to intellectual property protections.

"At some point you're not promoting progress, you're inhibiting it ...," Cohen said. "We may find our industry being held back by overly protective intellectual property laws. We have to strike the right balance."

Cohen questioned federal estimates for losses associated with counterfeit goods. Those figures rely on the premise that a name-brand item — such as a Hermes handbag — would have actually been sold, he said.

"That retail price wouldn't have been paid," Cohen said.

He wondered why defense resources through the Department of Homeland Security were going toward protecting handbags.

"I think they've been drinking the Kool-Aid the business community has given them," Cohen said, adding, "You get a lot of exaggerated messages from both sides. There's so much money at stake."

Stoltz acknowledged that the push by law enforcement to crack down on intellectual property violations is driven by "some well-intended people" who want to keep dangerous products, such as faulty airbags, away from Americans. But, he said, when you start regulating what can appear online "that gets to look like the speech police."

"If you want to see the consequences, just look at China," he said of Internet regulation.

Cohen, too, advises circumspection. "Be careful what you wish for," he said. "If we get better intellectual property enforcement, it may come back to bite us."

Netherland, in the meantime, says he's seeing his intellectual property caseload rise.

"Safety," he said, "is one of the biggest concerns."

The U.S. toll of fake goods

691 Arrests for intellectual property violations in 2012

334 Prosecutions in 2012

22,848 Intellectual property seizures in 2012

\$1.26 billion Estimated value of seized goods at retail price

Viagra Most counterfeited drug

Source: U.S. Department of Homeland Security

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Thomas F. Letourneau · ★ Top Commenter
 I hope this doesn't get deleted by the ProJo Politically Correct Thought Police!
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