

Are Counterfeit Products on the Decline in China?

By Gotani Yoichi

A Grand Exhibition

The Exhibition of China's Achievements in Intellectual Property Rights (IPRs) Protection opened on April 16, 2006 at the Military Museum of the Chinese People's Revolution. The venue was filled with visitors constantly during the event's eight-day run. I visited at the earliest opportunity and spent about three hours touring the booths.

The venue was divided into government exhibit and corporate exhibit areas. The former included information on the latest conditions surrounding IPRs in China, protection status for a variety of rights such as trademarks and patents, and an introduction of the results of enforcement activities in 15

regions. In the latter, displays provided information on the improvement of awareness of IPR protection among Chinese companies, acquiring of IPRs through original development, nurturing their own brands, entering into market competition using IPRs, and improving brand awareness and competitiveness in the global arena.

Each booth was well designed and the displays were of a similar level of sophistication. I guess that most visitors were convinced that the situation involving IPRs in China has greatly improved, that the issue of counterfeit products has already become a problem of the past, and that Chinese companies could be found all over the world with their own technologies and brands.

Awareness Campaigns also Increase Criminals' Awareness

Living in Beijing, one can truly get a feel for the aggressive action the Chinese government has been taking to solve the IPR issues. The declining number of counterfeit products on store shelves here is evidence of the effect of the government's vigorous enforcement measures.

That being said, in reality, stores that had shelves lined with counterfeit goods now simply keep those goods off the shelves. After assessing whether they can safely sell customers counterfeit products, store clerks would retrieve the counterfeit items from the back room and complete the transaction. Some stores would also direct customers to other retail locations with larger selections of counterfeit products. These systems have developed because counterfeiters and sellers of counterfeit goods have come to understand the concept of IPRs and are aware that they would be punished for violating these rights by producing or selling fakes. This can be taken as evidence that the Chinese government's awareness campaigns are working. Unfortunately, though, it seems that instead of ceasing production and sales of counterfeit products, there are many counterfeiters and retailers who have been devoting their energies to find ways to continue their illegal operations without getting caught.

I have also identified these trends at the consultations on IP protection that I have taken part in. Recently, there has been increasing concerns about three major trends: the movement of factories that produce counterfeits underground away from government enforcers, the increasing difficulty of stopping the transport of counterfeits as they move through even more complicated shipping routes, and the way products exported from China as "no-brand" items only have brand labels affixed after reaching their destination outside China. These experiences are evi-



A building specializing in small items faces this street. Sign with information on the small items building. Another sign on the pillar on the left gives information on the products.

Photos: JETRO



Distribution market near Beijing (Hebei Province)

This distribution hub has roughly 10 three to four story buildings, each handling a different product. A large number of counterfeits are on display, along with Chinese domestic brands.



Charter bus

Many people charter buses from Beijing to make purchases at the distribution market.



Exterior view of small items building

Photos: JETRO



Poster for the Exhibition



Display booth at the Exhibition

dence of the changing conditions surrounding counterfeits in China.

Additionally, for the past year or so, I have noticed advertisements in the classified section of newspapers offering trademarks for sale. In most cases the sellers are individuals, but sometimes they are Chinese companies. Of the numerous trademarks up for sale, some are clearly those of famous Japanese products. I assume that the sellers trademarks of Japanese companies that have

yet to be registered in China and are obtained the rights to these trademarks before the Japanese company did. It is a reality that there is no small number of people in China who are willing to do anything to make some money.

Urban and Rural, Rich and Poor

Despite the great effort the Chinese government has been expending to tackle the IPR issues, why do we not see a

dramatic decline in the production of counterfeit goods? Can this be attributed to the Chinese government's lack of intent in its enforcement on IPR activities, which focus mainly on messaging and outreach? I believe the root of the issues lie in China's major fundamental social problems.

One of these is the large gap between rich and poor caused by classes and regions within China. Protecting IPRs would lead to increased prices for medi-



Small item selection
Items infringing on SONY's trademarks



Small item selection
SONY copycat branded shavers



Electronic goods at the market
Numerous items sold here infringe on brands of Japanese manufacturers



Visitors observing displays

cine and other necessities for daily life. This puts pressure on those in the poorest level of the society, making it impossible for the Chinese government to enforce protections for IPRs in certain regions and groups of the society.

Another issue is the fact that infrastructure instability in the society does not allow Chinese companies to undertake any long-term research and development efforts. This leaves them unable to produce their own IPRs. While rais-

ing funds does present difficulties, I feel that a more pressing issue is the lack of confidence Chinese executives have about managing their companies in a stable manner over the long term. It is likely this situation leads them to focus efforts on producing profits in the short term.

The Chinese government seems to have a difficult time providing leadership, but if China's large number of talented researchers focus their efforts, I

am certain that the amount of home-grown IPRs would increase. With this in mind, I feel that China should develop IP while maintaining a balance among domestic classes and aim to expand its reach in global markets while adhering to international standards. **JS**

Gotani Yoichi is a manager of the Intellectual Property Division at JETRO Beijing.



Counterfeit ink cartridges

The products are exact replicas, down to the anti-counterfeiting holographic seal



Items on display at the distribution market

Each store displays specific products