



Intellectual Property Rights Fiscal Year 2012 Seizure Statistics

Prepared by U.S. Customs and Border Protection
Office of International Trade



Homeland
Security



U.S. CUSTOMS AND
BORDER PROTECTION
U.S. DEPARTMENT OF
HOMELAND SECURITY

Intellectual Property Rights

Fiscal Year 2012 Seizure Statistics

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As the U.S. Department of Homeland Security (DHS) continues its trade transformation program to align the agency mission with the realities of modern business practices and trade in the 21st century, we have updated the way in which intellectual property rights enforcement is reported. New U.S. Customs and Border Protection (CBP) and U.S. Immigration and Customs Enforcement (ICE) commodity categories allow for a more accurate representation of the types of commodities seized. To more realistically represent the economic impact of intellectual property rights theft, CBP and ICE are focusing on the manufacturer's suggested retail price (MSRP) of seizures.

Disclaimer: The information contained in this report does not constitute the official trade statistics of the United States. The statistics, and the projections based upon those statistics, are not intended to be used for economic analysis, and are provided for the purpose of establishing DHS priorities and workload.

Executive Summary

In Fiscal Year (FY) 2012, DHS and its agencies, CBP and ICE, remained vigilant in their commitment to protect American consumers from intellectual property theft as well as enforce the rights of intellectual property rights holders by expanding their efforts to seize infringing goods, leading to 691 arrests, 423 indictments and 334 prosecutions. Counterfeit and pirated goods pose a serious threat to America's economic vitality, the health and safety of American consumers, and our critical infrastructure and national security. Through coordinated efforts to interdict infringing merchandise, including joint operations, DHS enforced intellectual property rights while facilitating the secure flow of legitimate trade and travel.

In recent years, the internet has fueled explosive growth in the numbers of small packages of counterfeit and pirated goods shipped through express carriers and mail. In FY 2012, we heightened our efforts against the sources of these small shipments: the websites involved in the trafficking of counterfeit and pirated goods. In FY 2012, 697 such sites were taken down by ICE, with CBP handling the forfeitures. The number of IPR seizures remained somewhat consistent from 24,792 in FY 2011 to 22,848 in FY 2012. We believe the strategy of pursuing the sources of counterfeit goods will provide long-term results in decreasing the flow of counterfeit merchandise into commerce.

The MSRP of seized goods increased from \$1.11 billion in FY 2011 to \$1.26 billion in FY 2012, with an average seizure value of more than \$10,450. At the same time, CBP and ICE made valuable advances to enhance their ability to combat IP theft in the future, including:

- Nearly 60 sessions of Integrated IPR Field Training were conducted at high-risk ports of entry to improve frontline enforcement efforts;
- The National Defense Authorization Act of 2012 was implemented, allowing for enhanced information-sharing between CBP and trademark holders to identify counterfeits;
- Numerous new authentication tools were procured and deployed to modernize infringement determination efforts and expedite release of authentic shipments;
- IPR Strike Units were created to provide a deterrent effect, aiding the enforcement process;
- The European Police Office (Europol) and the Nuclear Regulatory Commission joined the National Intellectual Property Rights Coordination Center (IPR Center). The IPR Center now has 21 domestic and international partner agencies working together to combat IP theft.

IPR Seizure Totals

Seizure Totals		
	FY 2011	FY 2012
Number	24,792	22,848
MSRP (est. in millions)	\$1,110	\$1,262

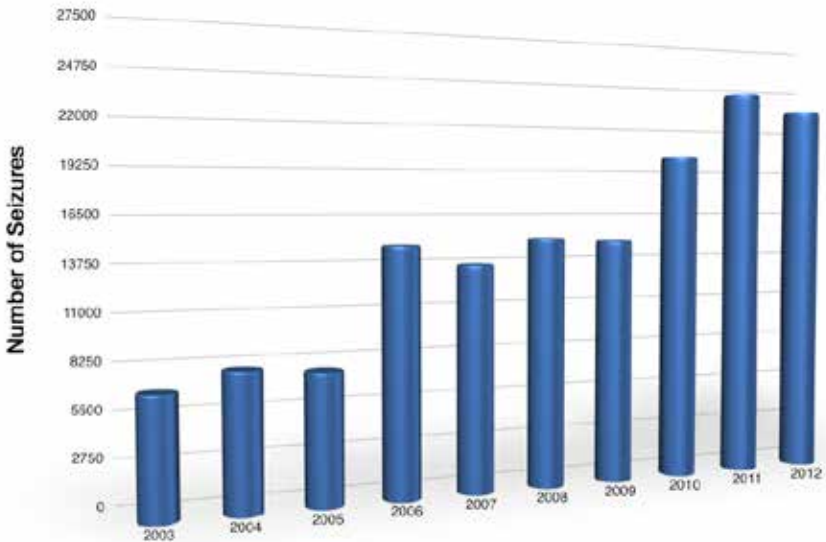
MSRP is the manufacturer's suggested price for merchandise sold at retail to the consumer. MSRP for counterfeit goods is the retail price the goods would have had if they had been genuine.

Domestic value is the cost of the infringing merchandise when it was last purchased plus all duties, fees, broker's charges, unloading charges, U.S. freight charges to bring the property to the importer's premises, and profit.

In FY 2012, the MSRP of goods seized increased from FY 2011 despite a slight decline in the number of seizures. This is partly due to the expiration of a commonly enforced patent and the elimination of 19 U.S.C. §1337 Exclusion Orders from IPR seizure statistics, which have previously been included. In FY 2012, 68 Exclusion Order enforcement actions were taken.

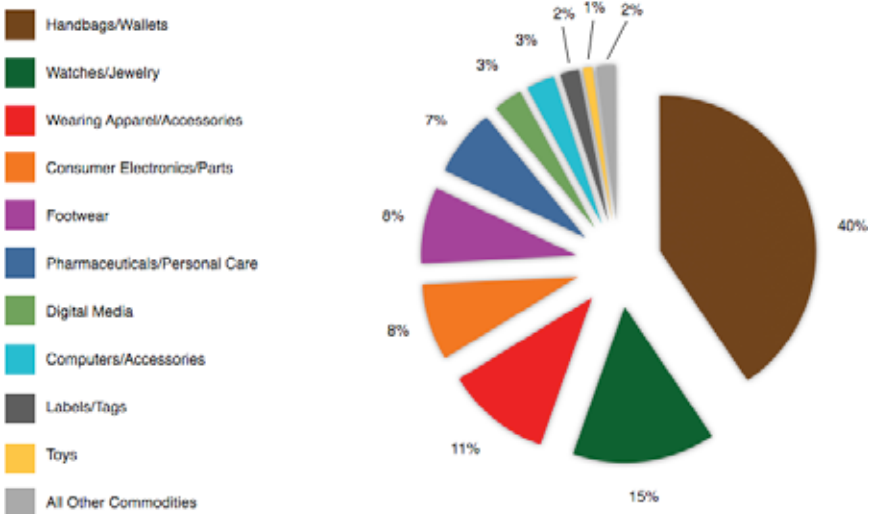
The Digital Millennium Copyright Act of 1998 prohibits gaining unauthorized access to a work by circumventing a technological protection measure put in place by the copyright owner where such a protection measure otherwise effectively controls access to the copyrighted work. In FY 2012, 25 shipments of such circumvention devices were seized.

- The total number of IPR seizures in FY 2012 decreased by 7.8 percent compared to FY 2011.
- The total MSRP for IPR seizures increased from \$1.11 billion in FY 2011 to \$1.26 billion in FY 2012, averaging more than \$10,450 per seizure.
- The domestic value of all IPR seizures in FY 2012 decreased by 12.2 percent compared to FY 2011.
- ICE and CBP report both the domestic value and MSRP for IPR seizures to assist in determining penalty assessments, prosecution thresholds, and sentencing.

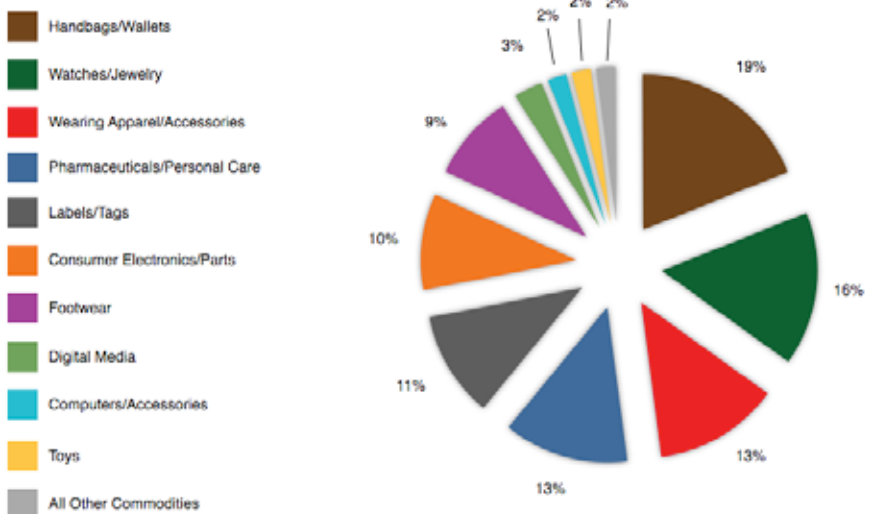


Top Commodities

FY 2012 Seizures - MSRP Value



FY 2011 Seizures - MSRP Value



- As ranked by MSRP, there was no change in the top three commodity categories for seizures from FY 2011 to FY 2012, though the MSRP for the top two increased.
- Handbags/wallets was the top commodity category for seizures in FY 2012. The MSRP of these seizures increased 142.2 percent compared to FY 2011. This was followed by watches/jewelry, which grew 8.3 percent in MSRP from FY 2011 to FY 2012.
- Part of the tremendous growth in handbags/wallets seizures is due to successful interagency-coordinated enforcement operations, such as Operation Market Day.
- Additionally, CBP seized a commercial shipment of counterfeit watches and commingled watches used to facilitate their importation with a MSRP of \$28.7 million and a shipment of 25,822 counterfeit purses worth more than \$8.4 million.

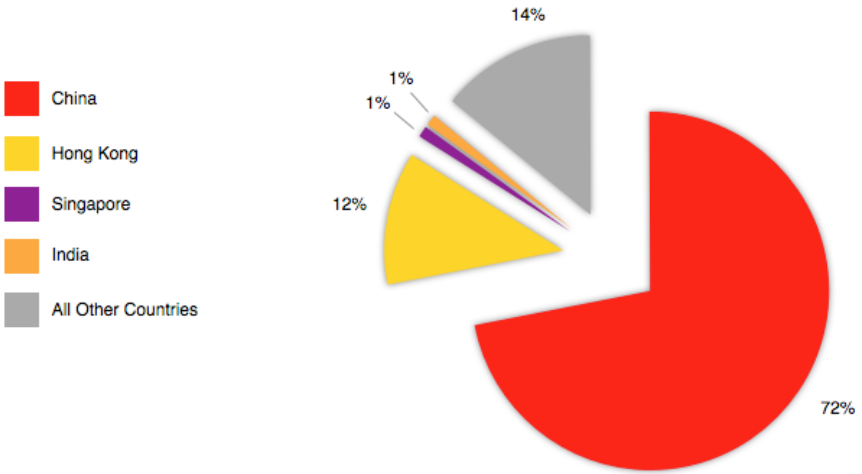


Consumer Safety and Critical Technologies

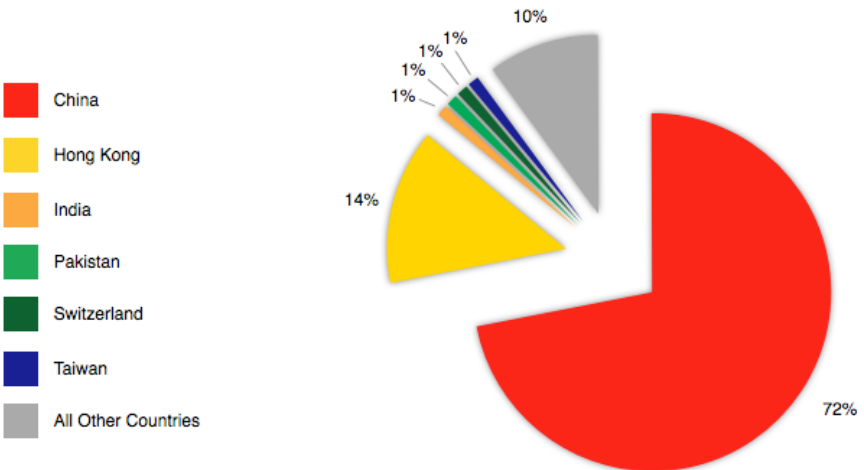
- In FY 2012, CBP implemented the information-sharing provisions of the National Defense Authorization Act of 2012, which provided for strong anti-counterfeiting measures within the defense supply chain and gave CBP authority to share more information and samples of suspected counterfeit imports with trademark holders.
- CBP and ICE participated in Operation Pangea V, a global enforcement effort aimed at disrupting organized crime networks behind the illicit online sale of counterfeit drugs. In 2012, Operation Pangea V resulted in 79 arrests and the seizure of 3.7 million doses of potentially life-threatening counterfeit medicines worth an estimated value of \$10.5 million. Approximately 18,000 websites engaged in the sale of counterfeit drugs were also taken down.
- Due to increased enforcement efforts from CBP and ICE, the number of counterfeit airbags seized increased to 65 shipments from 13 shipments in FY 2011, and counterfeit contact lenses emerged as a new commodity trend, with seizures increasing to 99 shipments from 11 shipments in FY 2011.
- The IPR Center launched Operation Chain Reaction to curtail the flow of counterfeit items entering the supply chains of the Department of Defense and other U.S. government agencies. To date, this has led to 24 arrests, 36 indictments, 26 convictions and the seizure of over \$9.83 million in counterfeit goods, electronics, currency and vehicles.

Source Economies

Source Economies based on MSRP Values 2012



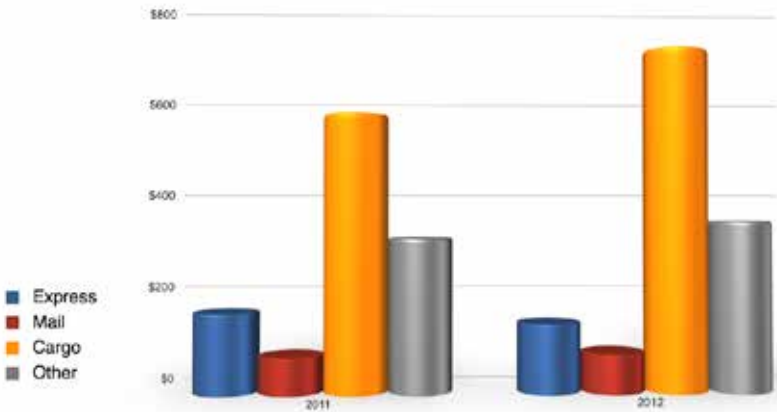
Source Economies based on MSRP Values 2011



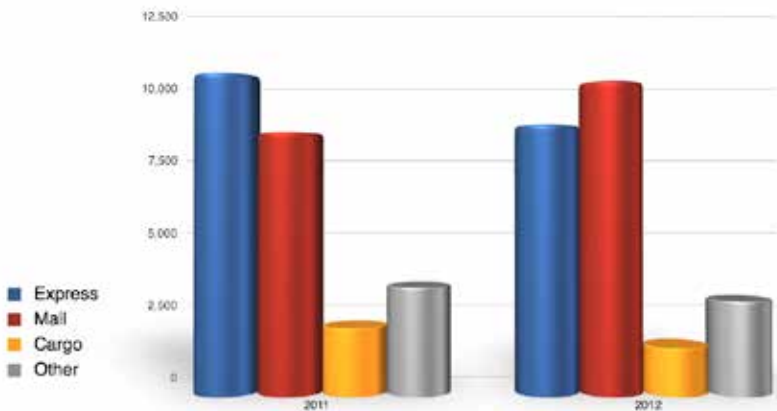
- As in years prior, China remains the primary source economy for counterfeit and pirated goods, representing 72 percent of all IPR seizures by MSRP. The MSRP of these seized goods increased by 12.5 percent from FY 2011 to FY 2012. As measured by MSRP, handbags/wallets comprised 49 percent of these seizures.
- Seizures of infringing goods from China and Hong Kong totaled \$1.1 billion as valued by MSRP, a 10.4 percent increase over last year.
- Peru debuts on the top ten source economies list due to the seizure of nearly \$2 million in counterfeit wearing apparel, predominately sportswear and team jerseys.

Shipping Environments

MSRP of IPR Seizures (in millions)



Number of IPR Seizures



- Consistent with recent trends, actual IPR seizures in the international mail and express facilities continued to outpace IPR seizures in cargo and other environments for FY 2012. However, due to the size of shipments, the MSRP of IPR seizures in the cargo environment exceeded international mail and express seizures.
- At international mail facilities, IPR seizures both by number and by MSRP increased over FY 2011. The number of IPR seizures increased by 18 percent, while the MSRP of these seizures increased by 7.1 percent.
- Recognizing this trend, DHS completed an initiative in the Asia-Pacific Economic Cooperation targeting counterfeit pharmaceuticals shipped via international mail and express courier services, with more than 1,200 enforcement actions against shipments containing more than seven million counterfeit or suspect pills.
- Additionally, DHS seized 5,319 parcels containing counterfeit, substandard or unapproved pharmaceuticals in the international mail system.

SHIPPING ENVIRONMENTS

9,852

8,490

1,526

MAIL

EXPRESS

CARGO

FISCAL Y

FY 2012 TOTALS:

22,848 - NUMBER OF SEIZURES

\$1,262,202,479 - MSRP

TOP COMMODITIES SEIZED BY NUMBER OF SEIZURES



APPAREL/ACCESSORIES 29%

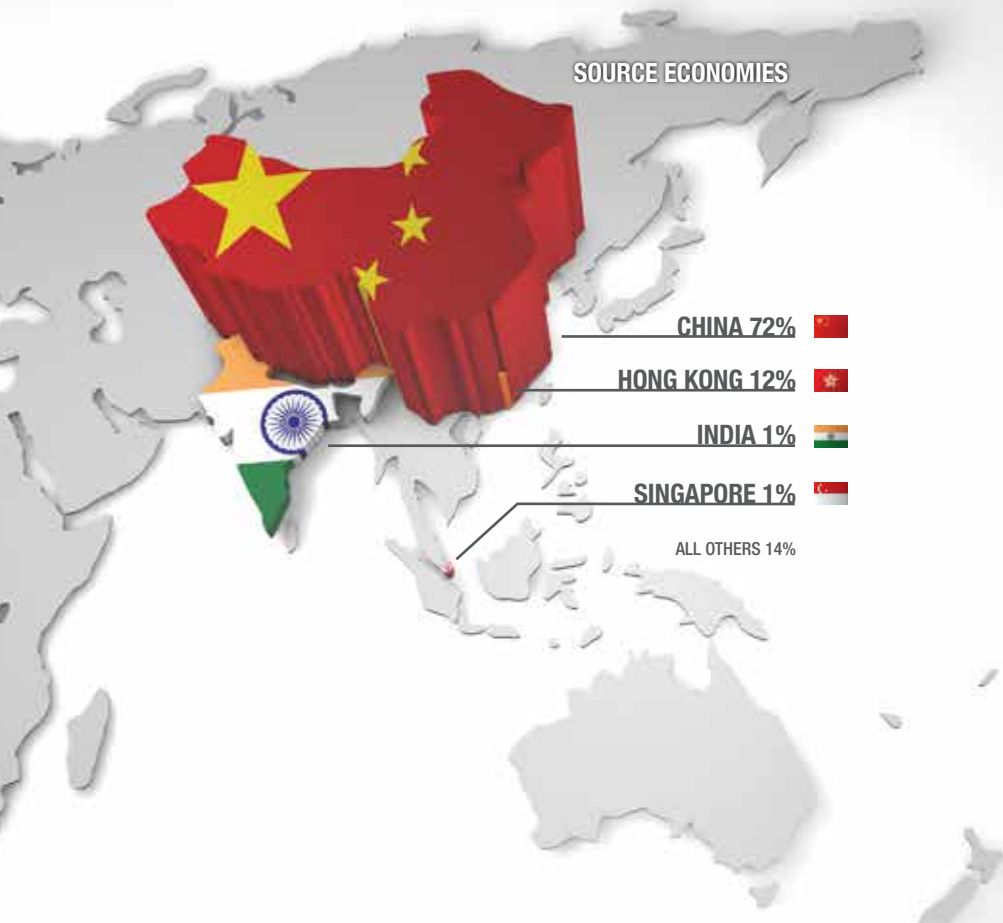
ELECTRONICS/PARTS 15%

OPTICAL MEDIA 11%



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YEAR 2012 IPR SEIZURE STATISTICS



HANDBAGS/WALLETS
10%

PHARMACEUTICALS
9%

WATCHES/JEWELRY
8%

FOOTWEAR
7%

COMPUTERS/ACCESSORIES
3%

LABEL/TAGS
3%

SPORTING GOODS
2%

ALL OTHER 3%



Statistical Appendix

FY 2012 Commodity	Estimated MSRP	Percent of Total*
Handbags/Wallets	\$ 511,248,074	40%
Watches/Jewelry	\$ 186,990,133	15%
Wearing Apparel/Accessories	\$ 133,008,182	11%
Consumer Electronics/Parts	\$ 104,391,141	8%
Footwear	\$ 103,365,939	8%
Pharmaceuticals/Personal Care	\$ 82,997,515	7%
Optical Media	\$ 38,404,732	3%
Computers/Accessories	\$ 34,710,624	3%
Labels/Tags	\$ 26,282,098	2%
Toys	\$ 13,603,356	1%
All Other Commodities	\$ 27,200,685	2%
Total FY 2012 Est. MSRP	\$ 1,262,202,478	
Number of Seizures	22,848	

FY 2012 Commodity	Number of Seizures	Percent of Total*
Wearing Apparel/Accessories	7,805	29%
Consumer Electronics	3,928	15%
Optical Media	2,892	11%
Handbags/Wallets	2,678	10%
Pharmaceuticals/Personal Care	2,350	9%
Watches/Jewelry	2,197	8%
Footwear	1,897	7%
Computers/Accessories	833	3%
Labels/Tags	796	3%
Sporting Goods	496	2%
All Other Commodities	1,195	4%
Number of Seizures	27,067*	

*Seizures can contain multiple commodities

FY 2011 Commodity	Estimated MSRP	Percent of Total*
Handbags/Wallets	\$ 211,071,721	19%
Watches/Jewelry	\$ 172,657,483	16%
Wearing Apparel/Accessories	\$ 142,336,532	13%
Pharmaceuticals/Personal Care	\$ 141,751,197	13%
Labels/Tags	\$ 126,800,701	11%
Consumer Electronics	\$ 111,110,406	10%
Footwear	\$ 96,976,959	9%
Optical Media	\$ 35,011,049	3%
Computers/Accessories	\$ 22,836,077	2%
Toys	\$ 21,889,294	2%
All Other Commodities	\$ 27,991,425	2%
Total FY 2011 Est. MSRP	\$ 1,110,432,843	
Number of Seizures	24,792	

FY 2011 Commodity	Number of Seizures	Percent of Total*
Wearing Apparel/Accessories	8,094	28%
Optical Media	4,235	15%
Pharmaceuticals/Personal Care	3,206	11%
Consumer Electronics	3,186	11%
Handbags/Wallets	3,014	11%
Footwear	1,772	6%
Watches/Jewelry	1,491	5%
Computers/Accessories	1,069	4%
Labels/Tags	706	3%
Sporting Goods	655	2%
All Other Commodities	1,098	4%
Number of Seizures	28,526*	

*Seizures can contain multiple commodities

FY 2012 Safety and Security	Estimated MSRP	Percent of Total
Pharmaceuticals/Personal Care	\$ 82,861,690	57%
Consumer Electronics/Parts	\$ 33,576,489	23%
Cigarettes	\$ 12,857,019	9%
Critical Technology Components	\$ 9,545,308	7%
Automotive	\$ 3,925,944	3%
Toys	\$ 1,259,514	Less than 1%
Food	\$ 753,266	Less than 1%
Sporting Goods	\$ 693,662	Less than 1%
Lighters	\$ 511,258	Less than 1%
Knives	\$ 136,800	Less than 1%
All Other Commodities	\$ 301,615	Less than 1%
Total FY 2012 Est. MSRP	\$ 146,422,566	
Number of Seizures		3,402

FY 2012 Safety and Security	Number of Seizures	Percent of Total
Pharmaceuticals/Personal Care	2,343	68%
Consumer Electronics/Parts	447	13%
Critical Technology Components	256	7%
Sporting Goods	134	4%
Cigarettes	122	4%
Automotive	79	2%
Toys	12	Less than 1%
All Other Commodities	48	1%
Number of Seizures	3,441 *	

*Seizures can contain multiple commodities

FY 2011 Safety and Security	Estimated MSRP	Percent of Total
Pharmaceuticals/Personal Care	\$ 138,196,472	71%
Consumer Electronics/Parts	\$ 31,066,485	16%
Cigarettes	\$ 10,940,851	6%
Critical Technology Components	\$ 7,503,657	4%
Toys	\$ 4,100,715	2%
Sporting Goods	\$ 2,561,246	1%
Automotive	\$ 922,725	Less than 1%
Ball Bearings	\$ 197,250	Less than 1%
Knives	\$ 170,384	Less than 1%
Food	\$ 91,929	Less than 1%
All Other Commodities	\$ 153,393	Less than 1%
Total FY 2011 Est. MSRP	\$ 195,905,108	
Number of Seizures	4,369	

FY 2011 Safety and Security	Number of Seizures	Percent of Total
Pharmaceuticals/Personal Care	3,127	71%
Consumer Electronics/Parts	442	10%
Computers/Accessories	419	9%
Cigarettes	200	5%
Sporting Goods	134	3%
Automotive	32	1%
Labels/Bottles	21	Less than 1%
All Other Commodities	53	1%
Number of Seizures	4,428 *	

*Seizures can contain multiple commodities

FY 2012 Top Five Economies by Estimated MSRP

1. China	Estimated MSRP	Percent of Total
Handbags/Wallets	\$ 446,531,105	49%
Wearing Apparel/Accessories	\$ 97,155,512	11%
Footwear	\$ 93,996,598	10%
Watches/Jewelry	\$ 91,302,124	10%
Consumer Electronics	\$ 71,530,088	8%
Pharmaceuticals/Personal Care	\$ 46,859,252	5%
Computers/Accessories	\$ 18,302,486	2%
Toys	\$ 10,483,057	1%
Optical Media	\$ 8,958,800	1%
Labels/Tags	\$ 7,314,674	1%
All Other Commodities	\$ 13,772,988	2%
Total FY 2012 Est. MSRP	\$ 906,206,683	
Number of Seizures	10,528	

2. Hong Kong	Estimated MSRP	Percent of Total
Watches/Jewelry	\$ 60,644,654	39%
Consumer Electronics	\$ 26,343,806	17%
Handbags/Wallets	\$ 13,872,431	9%
Computers/Accessories	\$ 13,404,259	8%
Pharmaceuticals/Personal Care	\$ 12,373,190	8%
Optical Media	\$ 11,845,977	8%
Wearing Apparel/Accessories	\$ 10,013,270	6%
Labels/Tags	\$ 3,073,670	2%
Footwear	\$ 2,071,438	1%
All Other Commodities	\$ 2,694,650	2%
Total FY 2012 Est. MSRP	\$ 156,337,345	
Number of Seizures	7,550	

3. Singapore	Estimated MSRP	Percent of Total
Watches/Jewelry	\$ 9,233,887	98%
Consumer Electronics	\$ 49,490	Less than 1%
Pharmaceuticals/Personal Care	\$ 41,688	Less than 1%
All Other Commodities	\$ 60,107	Less than 1%
Total FY 2012 Est. MSRP	\$ 9,385,172	
Number of Seizures		574

4. India	Estimated MSRP	Percent of Total
Pharmaceuticals/Personal Care	\$ 5,312,787	76%
Cigarettes	\$ 1,495,000	21%
Consumer Electronics	\$ 119,672	2%
Wearing Apparel/Accessories	\$ 91,701	1%
All Other Commodities	\$ 1,779	Less than 1%
Total FY 2012 Est. MSRP	\$ 7,020,940	
Number of Seizures		81

5. Taiwan	Estimated MSRP	Percent of Total
Toys	\$ 1,711,192	38%
Footwear	\$ 984,417	22%
Consumer Electronics	\$ 852,365	19%
Truss (stage lighting)	\$ 428,501	10%
Optical Media	\$ 121,355	3%
Sporting Goods	\$ 104,979	2%
Computers/Accessories	\$ 94,943	2%
Automotive/Aerospace	\$ 45,763	1%
All Other Commodities	\$ 157,095	3%
Total FY 2012 Est. MSRP	\$ 4,500,610	
Number of Seizures		52

FY 2012 Top Three Economies by Number of Seizures

1. China	Number of Seizures	Percent of Total
Wearing Apparel/Accessories	4,115	34%
Consumer Electronics	1,603	13%
Pharmaceuticals/Personal Care	1,192	10%
Handbags/Wallets	1,028	8%
Footwear	983	8%
Optical Media	841	7%
Watches/Jewelry	789	6%
Computers/Accessories	409	3%
Sporting Goods	354	3%
Labels/Tags	311	3%
All Other Commodities	593	5%
Number of Seizures	12,218 *	

2. Hong Kong	Number of Seizures	Percent of Total
Consumer Electronics	1,943	23%
Wearing Apparel/Accessories	1,664	20%
Optical Media	1,505	18%
Handbags/Wallets	874	10%
Footwear	538	7%
Watches/Jewelry	520	6%
Pharmaceuticals/Personal Care	513	6%
Computers/Accessories	333	4%
Labels/Tags	270	3%
Sporting Goods	109	1%
All Other Commodities	158	2%
Number of Seizures	8,427 *	

3. Turkey	Number of Seizures	Percent of Total
Wearing Apparel/Accessories	636	94%
Watches/Jewelry	14	2%
Bed Linens	9	1%
Handbags/Wallets	8	1%
All Other Commodities	11	2%
Number of Seizures	678 *	

*Seizures can contain multiple commodities

Shipping Environments

MSRP of IPR Seizures (in millions)

	Express		Mail		Cargo		Other		Total
2011	\$162.30	14.6%	\$74.90	6.8%	\$561.90	50.6%	\$311.30	28.0%	\$1,110.40
2012	\$140.50	11.1%	\$80.20	6.4%	\$696.40	55.2%	\$345.20	27.2%	\$1,262.20

Number of IPR Seizures

	Express		Mail		Cargo		Other		Total
2011	10876	43.9%	8350	33.7%	2146	8.6%	3420	13.8%	24792
2012	8490	37.2%	9852	43.1%	1526	6.7%	2980	13.0%	22848

In any given year, approximately ten percent of all seizures cannot be categorized as express, mail, or cargo. The other seizures represent ICE investigations, exports, passenger baggage, or other enforcement situations.



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GROSS

30.480 KGS
67.200 LBS

2.200 KGS
4.850 LBS

28.280 KGS
62.350 LBS

CAP.

33.2 CU.M.
1.170 CUFT.

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