

COUNTERFEITING AND ITS IMPACT ON SOCIAL ECONOMIC DEVELOPMENT

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PRESENTATION OUTLINE

- About UNBS
- UNBS Mandate
- What is a Counterfeit and Counterfeiting?
- UNBS mandate and Counterfeits
- Distinguishing between Counterfeit, Substandard and Shoddy
- The prevalence of the Counterfeiting problem
- Effects of Counterfeiting
- What is being done?
- Challenges
- The proposed way forward

UNBS

Uganda National Bureau of Standards (UNBS):

- is a statutory body under the Ministry of Trade , Industry and Co-Operatives, was established by an Act of Parliament -The UNBS Act, 1983 and became operational in 1989.
- is governed by the National Standards Council and headed by the Executive Director
- Has it new home at Bweyogerere Industrial Park and the Headquarters are currently still located at Plot M217, Nakawa Industrial Area within the premises of Uganda Industrial Research Institute
- UNBS operates 5 Regional Offices mainly handling the Weights and Measures function in Kampala, Jinja, Mbale, Mbarara and Lira

UNBS MANDATE

- Formulation and promotion of the use of standards;
- Enforcing standards in protection of public health and safety and the environment against dangerous and sub-standard products;
- Ensuring fairness in trade and precision in industry through reliable measurement systems; and
- Strengthening the economy of Uganda by assuring the quality of locally manufactured products to enhance the competitiveness of exports in regional and international markets

In economic development, UNBS plays a dual role:

- **Facilitation** – promoting and facilitation business/trade (SQMT)
- **Regulation** – enforcing standards to protect consumers and ensure fairness in trade (Inspection, surveillance, weights & measures)

COUNTERFEIT & COUNTERFEITING

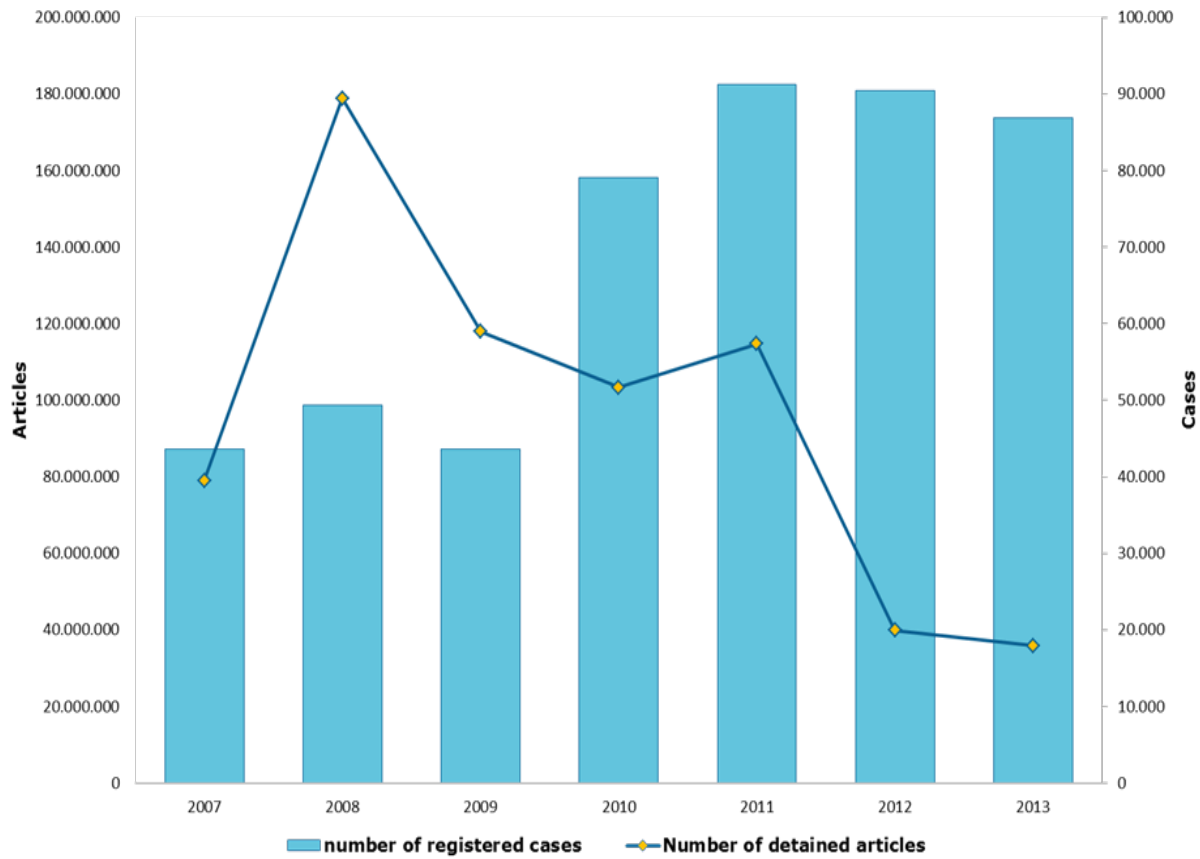
- Counterfeits generally are **illegal copies** or impersonations of the real or genuine and cover goods such as:
 - **imitations** or **look alike**s and
 - goods illegally made by **Trademark thieves**
- The WIPO Intellectual Property Handbook describes counterfeiting as “first of all the imitation of a product. The counterfeit is not only identical in the generic sense of the term. It also gives the impression of being the genuine product.....originating from the genuine manufacturer or trader”
- A counterfeit is: - An unauthorized copy;
 - Not conforming to the original manufacturer’s design, model, and/or performance standards;
 - Not produced by the stated manufacturer or produced by unauthorized contractors;
 - An off-specification, defective or used product sold as “new” or working; or
 - Has incorrect or false markings and/or documentation
- However, many people use the term “counterfeit goods” to refer to a wide range of unsuitable commodities which include: Substandard goods, Shoddy goods, Expired goods (sometimes dates tampered with) – this is not the case.

UNBS MANDATE Vs COUNTERFEITS

- UNBS mandate directly covers substandard products (shoddy and adulterated products)
- At the moment, UNBS mandate does not cover counterfeits per se (The counterfeit bill should create this mandate). So UNBS cannot directly prosecute basing on counterfeit only.
- But since approx. 90% of the counterfeits are substandard products, UNBS becomes best suited to handle the two at once.

PREVALENCE IN DEVELOPED ECONOMIES

Counterfeiting is a global growing problem that is affecting an ever wider range of products.



According to the report in the EU Customs enforcement report, 2013

COUNTRIES OF PROVENANCE

Countries of provenance.

- China remains the main country of provenance from where goods suspected of infringing an IPR were sent to the EU.
- In terms of product category, other countries appear as country of provenance, notably Egypt for foodstuffs, Turkey for perfumes and cosmetics and Hong Kong, China for other body care items, mobile phones, memory cards and sticks, ink cartridges and electrical household appliances.

Social – economic impact of counterfeits

To the rightful Business.

- Lowers demand for legitimate goods and services resulting from illicit trade this reduces business revenues.
- Affected companies incur additional costs for conducting investigations and litigation to protect their IPR against infringement.
- Production and sale of counterfeit products damages the reputation of the trademarks concerned, in as much as those products are defective and/or harmful. This problem is particularly acute for small and medium-sized enterprises.

To the Consumers.

- **Consumers buying worthless products that drain their pockets** – exchange of value for no value – losing their hard earned money. Victims of deceptive practices – fake instead of genuine
- The quality of the products may be inferior, making them unusable or ineffective.
- Counterfeited products may also be harmful to consumers, as they are often produced without due regard to the health and safety standards applicable.

Social – economic impact of counterfeits cont.

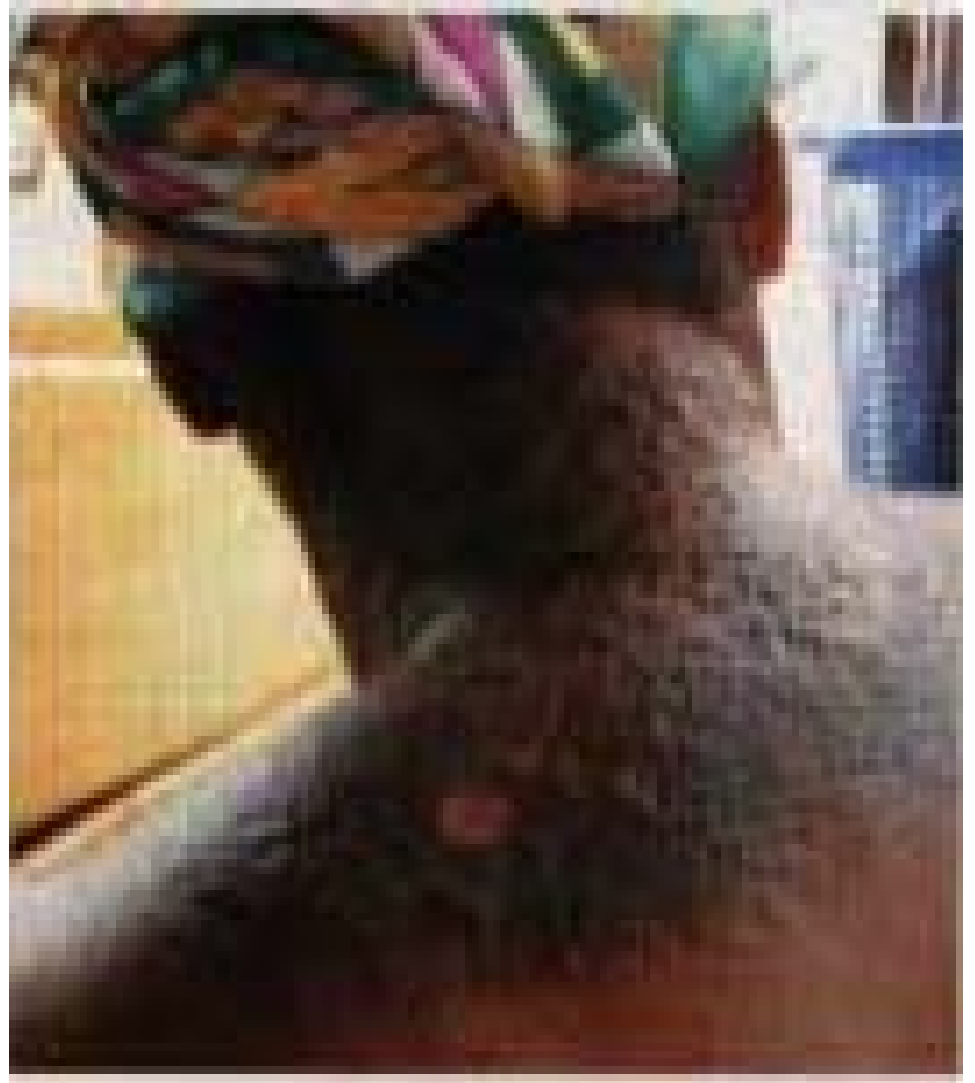
Job Market:

- The decline in the sales and profits of the genuine companies whose products are copied finally results in job losses.

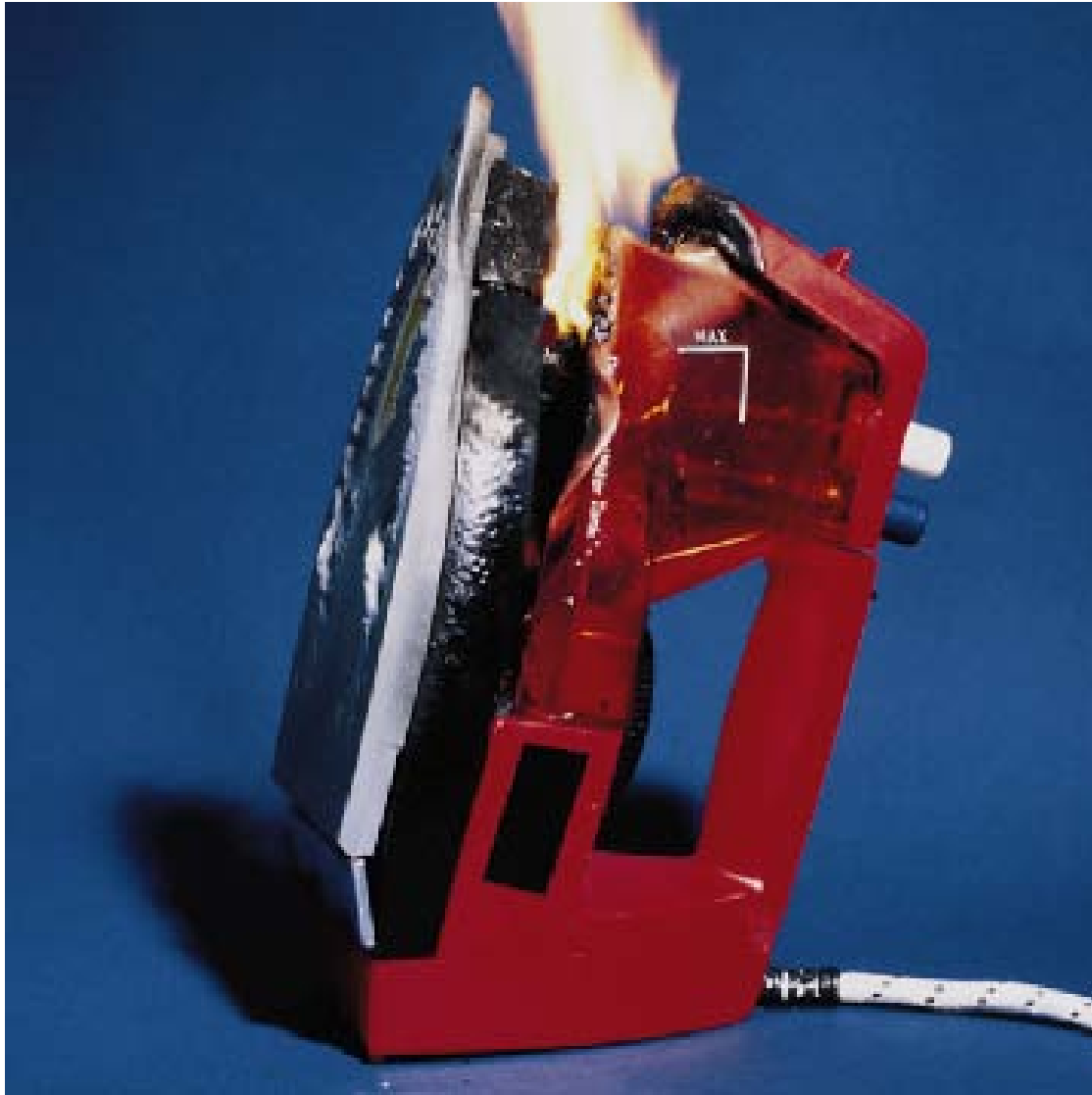
Society at large:

- Discourages research and innovation, thus making it more difficult and economically unattractive to find a solution to some of the most pressing challenges faced by modern societies.
- Additionally, public revenues are affected by unpaid duties and taxes.
- Buying products that injure the consumer and cause hospitalization** – lose money while buying, lose money on treatment, and lose time while hospitalized
- Lastly IPR infringing activities are often carried out by criminal organisations using the profits to finance other illegal activities, thus threatening public security.
- Loss of foreign exchange when seized imported goods are destroyed**

HEALTH



SAFETY



CONSTRUCTION



HOW IS UNBS ADDRESSING THIS CHALLENGE:

- From experience, more than 90% of counterfeits are substandard, which brings them within the UNBS mandate.
- For the remaining 10%, UNBS uses presence at border entry points and ICDs so that if given information in time, will intercept goods that are infringing on others trademarks. However the Trademarks to be protected **MUST BE REGISTERED**.
- UNBS in unison with Uganda Police then liaises with the Trademark owner who takes up the legal action and UNBS remains a witness.

SOME CLUES TO IDENTIFY COUNTERFEITS

- Very low price, some prices too good to be genuine
- Blurred lettering,
- Poor quality packages/containers,
- Tampered seams and packages,
- Ragged and poor quality labels,
- Badly fixed trade marks,
- Strange codes, reference numbers, telephone numbers, warranties and claims.
- Mis-spelt Words
- Altered trade marks
- Sudden package change with words such as "special edition".
- Foreign language not used in Uganda

COMMONLY COUNTERFEITED PRODUCTS

The target is mainly fast moving consumer goods & drugs:

- Cosmetics and toothpastes
- Tyres and Vehicle spare parts
- Electronics
- Electrical products (cables, lights, Batteries etc)
- Foods (spices), and beverages
- Wines and spirits
- Drugs (both animal and human drugs)
- Hardware products
- Shoe polish, Ball pens, Razor blades,
- Generators

COUNTERFEIT CASE



COUNTERFEIT CASE

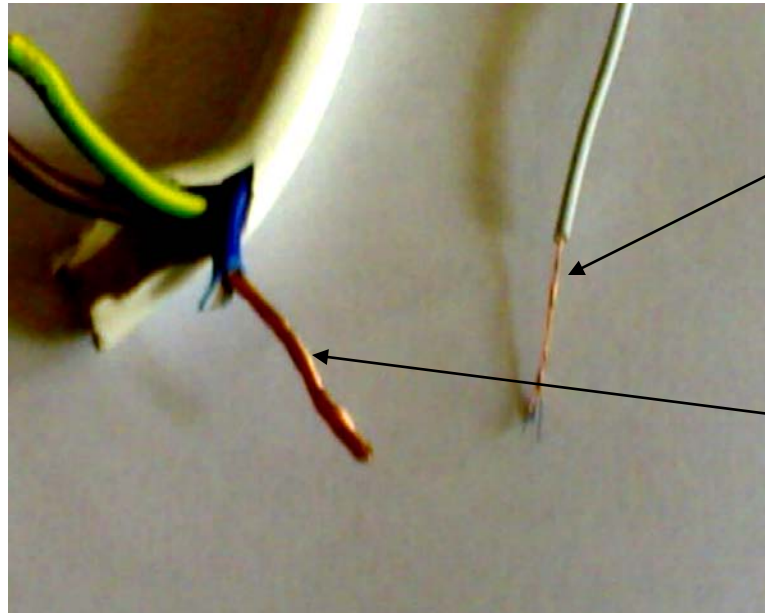
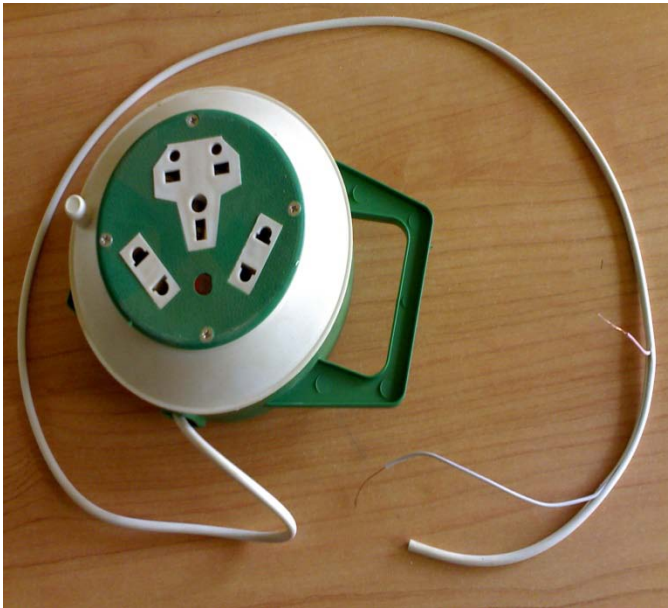


MISLEADING BRAND NAMES



A FEW CASES OF SUBSTANDARD GOODS

- For some time now, the price of copper rose on the world market
- Instead of raising the price of copper products, unscrupulous manufacturers use very little copper on cable conductors.
- Yet reduced copper conductors result in high electrical resistance which causes the conductor to heat up, burn the insulator and cause fire or electrocute people.



This thin
Conductor was
found in the
pictured exten
cable: Compar
with the right

Dangerous Substandard Electrical Products common on our market that can cause electrocution or fires

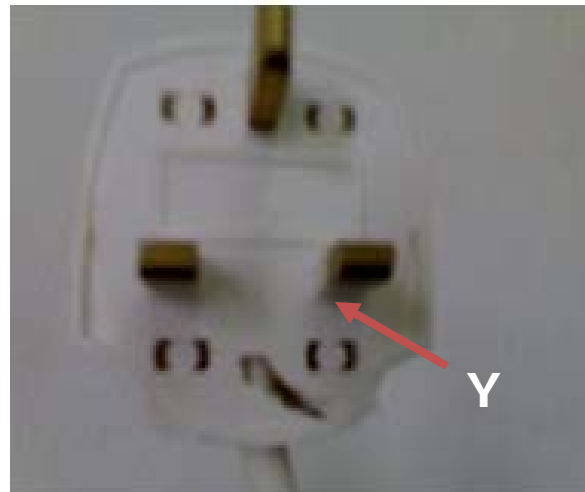


Examples - Plugs and Extension Reels

- Illustration of a plug of an extension reel imported from China.
- The plug is labelled “FUSED” (X).
- The inner side has **no screws**, which raises **suspicion (Y)**.
- After opening by pulling off top cover shows no fuse, and the conductors are **soldered** onto the plug pins (Z)!



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PROTECTION



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- **CONSUMER ALERT** Magazine of May 2008, a teenager was killed by a fake extension cable that caught fire when a flat iron was connected to it.
- In addition to losing money used to buy the extension cable, a life was lost!!!

SECURITY

INSIDE AN EXTENSION CABLE

A fake adaptor with wires so thin that they burn, melt or blow up when connected to high voltage appliances like flat irons and kettles.

A genuine adaptor with a copper bar inside for distributing power to different sockets.

Fake extension cable kills child in Ntinda

By Consumer Alert Reporter

Barely a month after Consumer Alert warned the public, in its maiden issue, about an influx of fake electricity extension cables, disaster struck when a 15 year old girl was electrocuted in Ntinda, a suburb of Kampala.

was informed so they could carry out investigations about the source of this fake cable. However, Consumer Alert learnt that after the incident, angry family members threw away the killer extension cable in anger.

Efforts to talk to the mother of the deceased girl were futile, as she was not such cases go unreported as the affected families opt not to inform the authorities out of frustration or ignorance.

However, UNBS Quality Assurance Manager, Mr. Deus Mubangizi, says importers of fake products need to be reported to either Police or the Standards watchdog so that they are severely dealt with since they

A Fake extension cable cannot withstand loading – such as shown above – they instead catch fire when loaded like this.

WHAT IS BEING DONE

- Receiving and handling complaints from consumers and affected manufacturers and traders
- Laboratory testing to distinguish between genuine and counterfeit especially where the counterfeit is also substandard
- Liaising with affected business people to identify counterfeits and take action.
- The UNBS operates a Pre-export verification of conformity (PVOC) – where goods are inspected from the country of origin and most of the counterfeits filtered out before shipment
- Continuation of market surveillance activities
 - A UNBS market surveillance programme monitors substandard and counterfeit goods that are either locally produced or smuggled into the country.
 - This has also been very useful in intercepting suspected counterfeit and substandard goods which might have escaped the importation procedures

CHALLENGES

- **Legal** – Absence of an Anti-counterfeit law. Current laws that address the issue are not clear, weak and non-deterrent – Anti-Counterfeits Bill still in Parliament.
- Inadequate resources resulting in:
 - Understaffing
 - Lack of vehicles
 - Inadequate facilitation and operational funds
- Failure by affected businesses to register their trademarks
- Lack of information by consumers
- Consumers preferring to buy cheap counterfeits

WHAT SHOULD BE DONE

- Urgent need to Pass the Anti-Counterfeit law - this will greatly enhance the fight against counterfeits legally.
- Need for constant consumer sensitization about the dangers of counterfeits
- Genuine Businesses must of necessity register their trademarks if they are to qualify for IPR protection
- Better facilitation of UNBS and other regulators by government and other development partners to have capacity to deal with this vice like donation of testing equipment (such as a tyre testing machine to fight counterfeit Tyres)
- Strengthening inter-institutional cooperation in fighting counterfeits
- A regional approach to fighting the problem across borders so that there is no place for counterfeiters to hide

CONCLUSION

- UNBS as a national regulatory body mandated to enforce standards has always encouraged the affected brand owners to take measures such as having their trademarks registered.
- It is the duty of government and all responsible institutions as well as the private sector to fight counterfeits in whichever form they may take.
- It is hoped that the new Proposed Anti - Counterfeit Bill once enacted into law and UNBS PVOC programme will help to a great extent in combating counterfeits.



Any
Questions ?

Participants

Thank
you