

Smart Reads



How to Fund a Start-Up



How I Saved Jobs by
Colin Cramer



Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit www.djreprints.com

[See a sample reprint in PDF format.](#) [Order a reprint of this article now](#)

THE WALL STREET JOURNAL.
WSJ.com

BUSINESS | AUGUST 4, 2010

Counterfeit-Goods Sting Nabs Tourist-Spot Vendors

By MARIE C. BACA

SAN FRANCISCO—Fisherman's Wharf here has long been one of the West Coast's major tourist destinations. Federal officials said Tuesday it also served as a major hub for the sale of counterfeit designer goods.

The U.S. Immigration and Customs Enforcement and Department of Justice said they charged 11 people with trafficking in counterfeit items that were allegedly smuggled from China and offered for sale through eight Fisherman's Wharf shops.



View Full Image

ICE

Immigration and Customs Enforcement agents in search of counterfeit clothing and other designer goods conduct raids of stores in the Fisherman's Wharf neighborhood of San Francisco in February this year.

Officials said that they seized fake designer clothing, handbags, jewelry and other items with a value of nearly \$100 million, based on manufacturer's suggested retail prices, had the products been legitimate. The pirated goods sell for a fraction of the cost of legitimate ones.

About 200,000 items were involved in the illegal activity, ICE officials said, bearing labels of more than 70 designer brands of both domestic and foreign companies. The U.S.-based brands include Oakley, Dooney & Bourke, Nike, Coach and Kate Spade; the foreign brands include Chanel, Gucci and Louis Vuitton.

The defendants were charged with smuggling, conspiracy and trafficking in counterfeit goods in an indictment that was filed in U.S. District Court in San Francisco on July 22 and unsealed Tuesday. Most of them are owners or employees of the stores.

Two others controlled access to storage units in San Leandro, Calif., that were allegedly used in the trafficking operation.

Ten of the defendants were arrested Monday and one remains at large.

"Fisherman's Wharf, and San Francisco in general, is a hot spot for this type of thing," said John Morton, ICE's director, at a press conference in San Francisco.

"We've got a large international airport and a rich tradition of international trade. You see the same type of thing in similar areas in Los Angeles, New York and Miami."

The San Francisco crackdown is the latest in a series of moves to combat counterfeiting by ICE, a unit of the Department of Homeland Security. Mr. Morton said the case exemplified the type of "sustained and coordinated" initiative that the Obama administration has increasingly pursued.

He also pointed to "Operation in Our Sites," a campaign aimed at Internet counterfeiting and piracy announced in June. In June, ICE officials executed search warrants against nine web domains that offered first-run movies, sometimes within a few hours of their theatrical release.

In fiscal year 2009, the value of the merchandise that ICE seized was \$200 million, Mr. Morton said, and seizures were on track to exceed that in the current fiscal year.

Still, the amount seized is small compared to the quantity of counterfeit goods believed to enter the U.S. D. Peter Harvey, a San Francisco lawyer and former board member of the International Trademark Association, estimates that counterfeiting costs American businesses \$200 billion every year.

While Mr. Harvey said that he believed the Obama administration has attempted to "pay more attention" to such issues, he also said that much of the ramp-up seems to simply be in response to the growth of the counterfeit industry. "The fact that \$100 million is not a huge amount overall is just an indication of the magnitude of the problem," Mr. Harvey said.

The investigation, ICE said, was triggered after Customs and Border Protection officers at the Port of Oakland in

December 2007 intercepted a shipping container full of designer accessories. The shipment was addressed to a Fisherman's Wharf retailer and was sent from China under false invoice and shipping documents, the agency said.

ICE said that agents then searched four shops in San Francisco and seized additional goods. In February, agents searched the four shops again as well as five residences and three storage areas in San Francisco and San Leandro, seizing more counterfeit items.

The agency also said that several undercover agents posed as customers at the stores and were told by clerks on multiple occasions that the merchandise was counterfeit.

Most of the defendants are of Chinese descent, ICE said, and worked at the stores, most of which closed after the indictment.

Penalties for the charges range from five years to up to 20 years in prison, plus fines ranging from \$250,000 to \$2 million. The defendants and their lawyers couldn't be reached Tuesday for comment.

Copyright 2009 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com