

IPAN issue brief - no. 4

counterfeiting – society is the loser

Industry world-wide loses large amounts to counterfeiters and piracy. These losses not only affect the producers of genuine items, but they also involve social costs. Ultimately, it is the consumer who pays the cost of unfair competition. Although many consumers believe they are getting a bargain when they buy counterfeits, the actual value of the product is normally much lower. Hence, they end up paying an excessive price for an inferior product.

A survey by members of the Alliance Against Intellectual Property Theft found that the UK market in counterfeit and pirated goods was worth over £9 billion in 2004. This resulted in a loss of just under £2 billion to The Exchequer. This money could have been spent by the Government on the NHS or on schools.

These losses may result in a chilling effect on the creative industries of the UK. A point will be reached where there be little incentive to come up with new ideas, as they are copied, including by other businesses.

There is also an increasing concern that counterfeiting is related to other criminal activities, such as trade in narcotics, money laundering and terrorism. The link between counterfeiting and organised crime has been highlighted in the most recent Threat Assessment from the National Criminal Intelligence Service. The report states that organised criminals are increasingly involved in counterfeiting and other forms of intellectual property theft.

It is estimated that trade in counterfeit goods is now worth more than 5 per cent of world trade. This high level can be attributed to a number of factors, particularly advances in technology and increased international trade.

The cost to countries which do not take action against counterfeiting can also be high. If many products from such countries, including genuine ones, gain a reputation of being of poor quality, this will cause export losses which in turn implies both job losses and loss of foreign exchange.

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suggested links for further reading:

- [Anti-copying in Design \(ACID\)](#)
- [Anti-counterfeiting Group \(ACG\)](#)
- [Federation against Software Theft \(FAST\)](#)