

Ministerial Foreword



This Government is committed to protecting the public from the insidious threat posed by organised crime, and is fighting against its lifeblood - the black market economy.

This cause is no longer the sole responsibility of traditional law enforcement such as police forces or Trading Standards. Government departments and agencies such as the Intellectual Property Office are working in close partnership with law enforcement, sharing information and making life as difficult as possible for criminals who exploit our citizens and damage the UK economy.

The production, distribution, and sale of counterfeit goods has always had close links to serious organised crime, a fact often not considered by the everyday bargain-hunting or cash-strapped consumer. Thanks to the ever increasing partnership between government departments, industry, and law enforcement we are leaving fewer and fewer places for criminals to hide.

Working together we have made a significant impact on IP crime across the UK however problem areas still exist.

Following discussions with the Anti-Counterfeiting Group, I raised concerns about the counterfeiting hotbed that continues to thrive in the area of Cheetham Hill, Manchester. This trade, where income tax and consumer safety is simply ignored, undercuts and undermines legitimate businesses and allows other criminality to be funded and flourish. This report is the first part of the multi-agency response to the criminal trade which has become established in the area, and signals the start of a concerted effort to disrupt and dismantle organised crime groups operating in nationally significant trade.

The report also represents an important first step to delivering a managed solution across the whole range of intellectual property crime trade. The Home Office proposals for Local Profiles will be an important factor in how further intelligence work is undertaken by the Intellectual Property Office. The relationship between industry and enforcement will also be a critical one, and we call on brands to work with Government and law enforcement to help identify criminal activity.

The UK has been regarded as a world leader in intellectual property rights enforcement. This is achieved as a direct result of co-ordinated and informed interventions. I will be maintaining a close personal interest in the progress of the challenge to the identified criminality over the coming months.

A handwritten signature in black ink that reads "Lucy Neville-Rolfe". The script is fluid and cursive, with the first letters of each word being capitalized and prominent.

Baroness Neville-Rolfe DBE CMG
Minister for Intellectual Property

Contents

The Area	1
Background	2
Key National Issues	3
Enforcement at a Local Level	5
Visibility of Criminality	6
Industry Perspective	6
Identifying Opportunities for Intervention	7
Recommendations	8

Organized Crime

also activities identity counterfeiting theft world United around fraud States mob providing commonly bootlegging States high Control passport blackmailing see like industries bank

immigrant bid-rigging gang intellectual centralized based crime rates least structured gang weapons range first securities investigation waste dump taxes Irish monopolies state taxes investigation waste dump taxes

infringement actor work skimming clamping criminals unlawful Violent often shops toxic work Japanese clamping work Japanese clamping work

enterprises use prostitution Japanese hijacking judicial describe cement localized Yakuza stock gangs law

corrupt no-show garbage committing confidence enforcement groups link prosecution Neapolitan prosecution link

getting oil used embezzlement organization motivated Neapolitan prosecution link

assaulted used embezzlement organization motivated Neapolitan prosecution link

bombings cheap monetary providing run run run

insider mafias beings commonly bootlegging States high Control passport blackmailing see like industries bank

laundry labour scam avoid money nuclear corruption ethnic

criminal victimize document

organ Sicilian arms bullying species local Sicily referred traffic smuggling national goods public known groups

enough jewelry workers materials non-state executive gambling political Calabria Cosa

hacking extortion burglary endangered defraud tricks Italian tricks

credit provide Nostra robbery

set activity racketeering governments rigging background bid

assassination may engaging drug pouring either

Canorra

economic chop forgersy interest property generally seek Chinese described businesses manufacturing bankruptcy members killing Act insurance

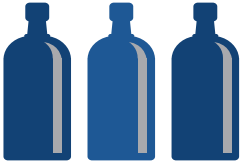
ideological Russian property generally seek Chinese described businesses manufacturing bankruptcy members killing Act insurance

The Area



Situated in an inner city area of Manchester, 1.4 miles north-northeast of Manchester City Centre and close to Salford, Cheetham Ward sits between Broughton to the West, Crumpsall to the North and Collyhurst to the South East. Rich in natural, historic and cultural assets the area contains large areas of neglected and underused land, is considered by Manchester City Council to have considerable potential for development. The area is currently part of the North Manchester Strategic Regeneration Framework adopted by the City Council in 2004 designed to reinvigorate the area, promote the regeneration of business, and promote community engagement in the area¹.

¹ Strangeways Local Plan.



25,000 litres of
Vodka seized in
October 2010

£240,000
Duty evasion



£1 million
street value
counterfeit goods
seized

Background

Amongst law enforcement, rights-holders and in the media, Cheetham Hill is anecdotally referred to as “Counterfeit Street”². Information in the public domain indicates that the area has long been known as ‘the place’ to source counterfeit goods, with an article in The Mirror in 1984 describing how the journalists had kitted out their models for £100 in outfits that would have cost £650 if they had been bought in high street shops. A trader at the time was quoted as saying “Give me 24 hours and I can get you anything you want”³.

Traders in the area deal in a wide range of goods, including clothing, footwear, jewellery, fragrance, toiletries and electronics. Designer brand fakes are priced well below retail price of the genuine items, from fake Louis Vuitton satchels for £15, and Beats headphones for £5, to Nike shirts for £20⁴.

In October 2010, HMRC officers seized 25,000 litres of counterfeit vodka, along with bottling and labelling equipment at Cheetham Hill⁵. The estimated duty evasion in this case was over £240,000⁶.

Recognising the complex nature of the problem in Cheetham Hill, agencies with responsibility for Intellectual Property Crime (IPC) enforcement have made concerted efforts to join forces, and to focus attention on all areas of the trading cycle. A series of raids against both properties and vehicles in late 2013, led by Manchester Council and supported by police, customs officers and other local councils, seized counterfeit goods with a ‘street value’ of more than £1 million, and resulted in three arrests.

2 <http://tm-eye.co.uk/category/tm-eye/page/2/> accessed 23/11/2015

3 <http://www.thefreelibrary.com/IT%27S+A+PERFECT+COUNTERFEIT..%3b+Rip+off+men+make+millions.-a060662635> accessed 23/11/2015

4 <http://www.mirror.co.uk/news/uk-news/counterfeit-street-sunday-mirror-investigates-3695230> accessed 23/11/2015

5 <http://www.bbc.co.uk/news/uk-england-14151509> accessed 30/11/2015

6 <http://www.professionalsecurity.co.uk/news/news-archive/fake-vodka-seizure/> accessed 30/11/2015

The various raids that have taken place have highlighted the availability of counterfeit electronic and electrical goods to the public.

A week-long action was taken in November 2014, with a multi-agency effort to disrupt and dismantle organised crime in Cheetham Hill⁷. The operation, Operation Challenger, targeted multiple forms of criminality in the area, and resulted in 37 arrests on suspicion of counterfeit and immigration offences, fraud, robbery and money-laundering. One million cigarettes, which industry representatives believe were on sale for £3 a pack, and 70 kilos of tobacco at £3 for 50g pouches were seized during raids on premises in the area. In total, the value of seized counterfeit goods was reported to be £5 million⁸.



OP Challenger 2014
37 arrests



70kg of tobacco sold
at £3 for 50g pouches



1 million cigarettes
sold at **£3** a pack

Total value of counterfeit goods
seized **£5 Million**

It is indicative of the entrenched criminal culture of the area that the trade in counterfeit goods has continued despite regular enforcement action and high-volume seizures.

⁷ <http://www.manchestereveningnews.co.uk/news/greater-manchester-news/pre-christmas-raids-police-trading-standards-8064249> Accessed 30/11/2015

⁸ <http://www.manchestereveningnews.co.uk/news/greater-manchester-news/pre-christmas-raids-police-trading-standards-8064249> Accessed 30/11/2015

Key National Issues

The Intellectual Property Crime Report for 2014/15 highlights the prevalence of IPC and the harm caused to the UK economy, with over 1.6 million infringing items removed at the borders during that period. 75,000 counterfeit goods infringing the IP rights of a single member of the Anti-Counterfeiting Group (ACG) were seized in 2014/15, with the equivalent genuine items having a retail value of £2.5 million.

Cheetham Hill occupies a focal point in the UK market for counterfeit goods. In addition to the significant retail trade occurring directly from premises in the area, there is also information suggesting that local wholesale operations supply counterfeit goods to online and in-person traders across the UK. As such, efforts targeting Cheetham Hill could be expected to have a positive impact by significantly reducing counterfeit goods traded nationally.

Cheetham Hill highlights the difficulty in combatting counterfeit traders in a digital age. The local nature of IPC is evident, with high street shops, private residences, car boot sales and social venues continuing to host IPC activity. However, online operations extend the availability of counterfeit goods to a wider market, and there are indications of traders operating exclusively online, from a Cheetham Hill base, as well as Cheetham Hill retail and wholesale traders who maintain an online presence.

The concentration of IPC in Cheetham Hill has negative consequences for the local community and economy, as well as the harm of associated criminality such as money laundering, organised crime group involvement, drug dealing and violence. Action taken against Cheetham Hill could have the potential to impact criminality on a wider scale, particularly in cases where the trade in counterfeit goods contributes to the income of organised crime groups that have a broader geographic footprint.



Enforcement at a Local Level



Historically, a variety of enforcement action has been taken to tackle criminality in the area by Trading Standards, Greater Manchester Police and other agencies. These have included regular monthly days of action by teams from Salford and Manchester Trading Standards, Greater Manchester Police and partnership agencies, single and multiple days of action by various North West Local Authorities and the Regional Investigations Team (Scambusters), and investigations into the routes into the area and the supply chain. Despite these efforts, the problem is so ingrained in the fabric of everyday life in the area that the problem persists, with the businesses often operational again within days of action being taken.

Whilst enforcement efforts in Cheetham Hill are targeted at tackling the many aspects of criminal activity in the area, there are also individuals who travel from other regions of the UK to the area to buy goods to sell from their houses, workplaces or via social media and online auction sites. The capability to sell infringing items using social media is a growing problem for Trading Standards Officers with people advertising through their personal profiles using an alias or company name, or selling in closed or secret groups, taking full advantage of the privacy settings that are available to them.

Enforcement activity continues to be undertaken but the longevity and embedded nature of the issues at Cheetham Hill are such that no single agency can successfully tackle the problem. It requires a coordinated approach involving Trading Standards, government agencies, police and brand holders to contribute to tackling this resource-intensive issue⁹.

⁹ Kelly, Julia (Regional Intelligence Analyst Trading Standards North West); Problem Profile Cheetham Hill 2015 ; Executive Summary: Version 1.2; 11th December 2015



Visibility of Criminality

The area is one which appears to have a thriving trade in clothing and accessories. This is actually a ‘front’ for criminal sales of counterfeits. In addition, the nature of the area has led to the following activities intended to frustrate traditional law enforcement (and are by no means exhaustive):

- Letting and subletting of premises.
- Employment of a network of ‘spotters’ to identify the presence of law enforcement.
- The use of roller shutters to secure premises from quick and easy entry.
- Additional criminality in the form of drug and illegal tobacco supply.

Industry Perspective

Industry groups and brand representatives are conscious of the impact of Cheetham Hill and actively pursue operations in the area to identify and disrupt counterfeit trade. There remains concern that the resources dedicated to these investigations outweigh the penalties imposed, and that local authorities lack sufficient resources to fully support brands in protecting their intellectual property rights against infringement.

Designer and high street brand holders are particularly concerned about the harm caused by counterfeit products, where this results in direct financial loss, and reputational damage due to the inferior quality of fakes affecting potential consumers’ perception of the genuine goods. The value to brands of acquiring and promoting their trademarks is affected when significant amounts of money are needed to protect their trade marks’ integrity from unauthorised use.

The situation in Cheetham Hill is regarded with distinct contempt by brands and their representatives, and there is strong support for action against such a hub of criminal activity. Experienced trade representatives are dismayed

by the number of customers visiting the area, and note a significant increase in the number of new premises operating in the period leading up to Christmas.

Overall, it is felt that the concentration of counterfeit trade in the area undermines any opportunity for genuine business enterprise, and that the role of Cheetham Hill in supplying the online trade and IPC nationally is further extending the problem.

With industry's depth of experience, particularly through successfully penetrating the trading operations in Cheetham Hill, and the valuable information this has contributed to enforcement efforts, any activity would benefit greatly from working closely with rights holders and brand representatives.

Identifying Opportunities for Intervention

The long-term goal for Cheetham Hill is one of regeneration and there are opportunities for action against Intellectual Property Crime (IPC) to support local authorities in these plans. An ideal outcome for the area would be a halt to criminal and illegitimate trading activity, and the creation of an environment supportive to a vibrant business community, which contributes to the local and national economy.



To ensure effective coordination, agencies involved in action against Cheetham Hill will need to identify key outcomes for all activities, and maintain focus on overall strategic aims. It is imperative that operational planning be inclusive to ensure de-confliction and information-sharing across all of the agencies involved.

There will be opportunities presented in a focused, coordinated effort for immediate effect against retail and wholesale operations. However, the way ahead on Cheetham Hill needs to balance immediate impact with the long term aims for the area. In particular, direct actions should be planned with a view to maximising opportunities for ongoing exploitation, for instance, to enable intelligence gathering components or monitoring, and to inform further actions against upstream elements of the trade cycle.



With current levels of cooperation and interoperability across the agencies concerned, this is the opportunity for a strategic approach to tackle IPC and related criminality in the Cheetham Hill area.

Recommendations

The complex issues present in Cheetham Hill, and the varied opportunities for action against them necessitate a coordinated approach to closing down criminal activity. It is therefore recommended that:-

- The Police Intellectual Property Crime Unit (PIPCU) have the lead on coordinating investigations, while a Steering Group comprised of PIPCU, Intellectual Property Office (IPO), National Crime Agency (NCA), National Trading Standards and Greater Manchester Police ensure all strategic and operational planning affecting IPC enforcement in Cheetham Hill is conducted with input and buy-in from relevant stakeholders.
- The IPO should be commissioned to produce an in-depth report detailing trader operations and links to wider criminality in Cheetham Hill. This report should also outline vulnerabilities and recommendations in line with the Government serious and organised crime Strategy. ('Pursue, Prevent, Protect and Prepare'). Additional intelligence analysis and requirements, mapping, lessons learned, and assessments of aspects of the supply cycle and serious organised crime group involvement should be considered, and commissioned where necessary, by the Steering Group.
- It is recommended that NCA maintain an overview of any issues of national and international significance, and that the National Trading Standards Board are included as a key agency with national resources and across the board awareness of a national trading standards problem.

Concept House
Cardiff Road
Newport
NP10 8QQ
United Kingdom

Tel: 0300 300 2000
Fax: 01633 817 777

www.gov.uk/ipo

For copies in alternative formats please
contact our Information Centre.

**When you no longer need this booklet,
please recycle it.**

DPS-003206



INVESTORS
IN PEOPLE

CUSTOMER
SERVICE
EXCELLENCE



CSE



®