

INTA's Estimation of the Impact of Trademark Counterfeiting and Infringement on Worldwide Sales of Apparel and Footwear (1998)

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Justification

- **Quantitative evidence on magnitude of losses is an effective tool in persuading governments to commit more resources**



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Scope

- **It must be trademark counterfeiting!**
- **Because Article 61 of TRIPs Agreement acknowledges the threat posed by counterfeiting to trademarks**



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Sampling

- **Why Apparel and Footwear?**
- **Because the importance of copyright and patent protection is relatively less than that of trademark rights**



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Methodology

- **First, Estimate trademark protection 40 countries – survey to construct trademark protection variable**
- **Second, input actual sales data to the model estimation**



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Economic Model

1. **The model measures the effect that the level of trademark protection has on sales in 40 different countries, taking into consideration other variables such as per-capita income, population, and market share. The effect is referred to as “Trademark Protection Variable”**



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Economic Model

2. The model requires individual company sales and quantity data for as many of the 40 countries as possible for the period 1991-1995



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Trademark Protection Variable

- A 13 question survey to participating companies - to measure factors affecting trademark protection in a given country
- Survey responses were then weighted according to their importance to overall trademark protection



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Table 1. Trademark Protection Variable

Country	Survey Results	Number of Responses
Argentina	3.10	8
Australia	2.16	7
Belgium	2.04	4
Brazil	3.30	5
Canada	2.58	7
China	3.37	10
Chile	3.00	6
Cyprus	2.44	4
Czech Republic	3.15	6
Denmark	2.26	5
France	1.80	7
Germany	2.04	9
Greece	3.07	6



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Hong Kong	2.12	8
Hungary	3.02	7
India	3.62	4
Indonesia	2.74	4
Israel	2.99	6
Italy	3.00	9
Japan	2.14	7
Korea, South	2.9	4
Malaysia	2.68	4
Mexico	3.02	5
Netherlands	2.6	5
Philippines	3.09	5
Pakistan	4.26	2
Poland	2.63	5
Russian Federation	3.74	2
South Africa	2.59	3
Singapore	2.69	3



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Saudi Arabia	3.68	2
Spain	3.24	11
Sweden	3.07	8
Switzerland	2.2	4
Thailand	3.06	5
Turkey	2.76	5
Taiwan	2.59	6
United Kingdom	2.14	8
United States	2.81	7
Venezuela	3.73	7



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Table 2. Estimates of the Elasticity of Sales Relative to Trademark Protection for Each Year of the Data and for the Entire Period

Equation	Estimation Period				
	1992	1993	1994	1995	1992-1995
Apparel					
Per capita sales	-0.11	-0.16	-0.29	-0.28	-0.20
Market share	-0.18	-0.22	-0.35	-0.34	-0.26
Footwear					
Per capita sales	-0.25	-0.25	-0.29	-0.25	-0.26
Market share	-0.28	-0.27	-0.31	-0.27	-0.28
Average	-0.21	-0.23	-0.31	-0.28	-0.25



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Table 3. Trademark Protection Results

	Trademark Protection Variable	Applying Elasticity	Percent Loss of Sales		Trademark Protection Variable	Applying Elasticity	Percent Loss of Sales
Country	T	T ^{0.25}	T ^{0.25} - 1	Country	T	T ^{0.25}	T ^{0.25} - 1
France	1.80	0.864	-13.6%	S. Korea	2.90	0.766	-23.4%
Belgium	2.04	0.837	-16.3%	Israel	2.99	0.760	-24.0%
Germany	2.04	0.837	-16.3%	Italy	3.00	0.760	-24.0%
Hong Kong	2.12	0.829	-17.1%	Chile	3.00	0.760	-24.0%
Japan	2.14	0.827	-17.3%	Mexico	3.02	0.759	-24.1%
UK	2.14	0.826	-17.4%	Hungary	3.02	0.758	-24.2%
Australia	2.16	0.825	-17.5%	Thailand	3.06	0.756	-24.4%
Switzerland	2.20	0.821	-17.9%	Greece	3.07	0.756	-24.4%
Denmark	2.26	0.815	-18.5%	Sweden	3.07	0.755	-24.5%
Cyprus	2.44	0.800	-20.0%	Philippines	3.09	0.754	-24.6%
Canada	2.58	0.789	-21.1%	Argentina	3.10	0.753	-24.7%
South Africa	2.59	0.788	-21.2%	Czech Rep.	3.15	0.751	-24.9%
Taiwan	2.59	0.788	-21.2%	Spain	3.24	0.745	-25.5%
Netherlands	2.60	0.788	-21.2%	Brazil	3.30	0.742	-25.8%
Poland	2.63	0.785	-21.5%	China	3.37	0.738	-26.2%
Malaysia	2.68	0.781	-21.9%	India	3.62	0.725	-27.5%
Singapore	2.69	0.781	-21.9%	Saudi Arabia	3.68	0.722	-27.8%
Indonesia	2.74	0.777	-22.3%	Venezuela	3.73	0.720	-28.0%
Turkey	2.76	0.776	-22.4%	Russia	3.74	0.719	-28.1%
US	2.81	0.772	-22.8%	Pakistan	4.28	0.696	-30.4%

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Table 4. Trademark Protection Loss: Apparel & Footwear

	1995 Sales	% Loss	\$ Loss
Argentina	\$2,203,276	-25%	\$543,215
Australia	\$78,856,741	-18%	\$13,838,325
Belgium	\$52,045,618	-16%	\$8,484,372
Brazil	\$40,939,373	-26%	\$10,570,004
Canada	\$236,071,582	-21%	\$49,777,337
Chile	\$5,498,559	-24%	\$1,322,057
China	\$30,476,780	-26%	\$7,977,006

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Cyprus	\$414,707	-20%	\$82,800
Czech R	\$5,199,350	-25%	\$1,295,451
Denmark	\$29,330,418	-18%	\$5,411,654
France	\$261,172,938	-14%	\$35,593,703
Germany	\$424,022,220	-16%	\$69,191,277
Greece	\$42,418,756	-24%	\$10,362,117
Hong Kong	\$47,942,256	-17%	\$8,213,206
Hungary	\$28,669,947	-24%	\$6,929,018
India	\$1,305,395	-28%	\$359,189
Indonesia	\$303,805	-22%	\$67,772
Israel	\$5,724,019	-24%	\$1,372,860
Italy	\$379,954,182	-24%	\$91,334,761
Japan	\$392,712,832	-17%	\$67,906,043



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Korea, S	\$51,587,718	-23%	\$12,046,213
Malaysia	\$19,600,673	-22%	\$4,287,419
Mexico	\$49,001,526	-24%	\$11,817,985
Netherlands	\$100,551,393	-21%	\$21,342,085
Pakistan	\$7,300	-30%	\$2,219
Philippines	\$41,470,800	-25%	\$10,192,853
Poland	\$26,589,559	-21%	\$5,707,534
Russia	\$139,712	-28%	\$39,269
South Africa	\$7,070,176	-21%	\$1,495,695
Saudi Arabia	\$4,518,772	-28%	\$1,257,239
Singapore	\$5,129,905	-22%	\$1,123,652
Spain	\$167,340,222	-25%	\$42,632,792
Sweden	\$43,769,520	-24%	\$10,703,483
Switzerland	\$54,668,027	-18%	\$9,783,755



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Taiwan	\$24,445,201	-21%	\$5,172,240
Thailand	\$479,369	-24%	\$116,804
Turkey	\$47,098,688	-22%	\$10,552,742
UK	\$302,329,336	-17%	\$52,499,816
US	\$6,416,548,617	-23%	\$1,462,624,147
Venezuela	\$4,405,290	-28%	\$1,234,998
Total	\$9,432,014,558	-22%	\$2,055,265,107

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Result

- In 1995 only, the participating companies lost an average of 22% of their total sales, or \$2 billion, as a result of trademark counterfeiting

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So ... what happens a company loses sales and becomes unprofitable?

Of course,

It winds up operations in that country!

Well ... how?



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Loss of Investment

- Reckitt Benckiser Pakistan Limited decided to sell off, for a lump sum of Rs. 255 Million (4.63 Million US\$), its manufacturing facilities that produced ultramarine blue under the brand name of “Robin Neel” for nearly half a century.
- The company complained, amongst other things, of counterfeit products that continued to affect performance of some of its key brands. - *The Daily Dawn, March 18, 2004*



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Loss of Investment

- High-ups of the Karachi Stock Exchange were confused about how to tackle the issue of de-listing applications (for removing shares from trading board) by over a dozen companies (including most viable such as Fazal Textile and Philips Electrical Industries).
- The news sent shock waves among the prospective sponsors of the new industrial ventures and had a far-reaching negative impact on the investment climate. The sponsors of these companies, some of them listed decades ago, sought de-listing on various counts but the chief among them was “a high incidence of counterfeit products” that are likely to remain in the market. – *The Daily Dawn*, December 18, 2000



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Thank You

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