



THE KNOCKOFF TRADE

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Author, *To Live or To Perish Forever*



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A shopkeeper in Italy placed an order with a Chinese sneaker factory in Putian for 3,000 pairs of white Nike Tiempo indoor soccer shoes. It was early February 2010, and the shopkeeper wanted the Tiempos pronto. Neither he nor Lin, the factory manager, were authorized to make Nikes. They would have no blueprints or instructions to follow. But Lin didn't mind. He was used to working from scratch. A week later, Lin, who asked that I only use his first name, received a pair of authentic Tiempos, took them apart, studied their stitching and molding, drew up his own design, and oversaw the production of 3,000 Nike clones. A month later, he shipped the shoes to Italy. "He'll order more when there's none left," Lin told me recently, with confidence.

Lin has spent most of his adult life making sneakers, though he only entered the counterfeit business about five years ago. "What we make depends on the order," Lin said. "But if someone wants Nikes, we'll make them Nikes." Putian, a "nest" for counterfeit-sneaker manufacturing, as one China-based intellectual-property lawyer put it, is in the southeastern Chinese province of Fujian, just across the strait from Taiwan. In the late 1980s, multinational companies from a large number of industries started outsourcing production to factories in the coastal provinces of Fujian, Guangdong, and Zhejiang. Industries

tended to cluster in specific cities and sub-regions. For Putian, it was sneakers. By the mid-1990s, a new brand of factory, specializing in fakes, began copying authentic Adidas, Nike, Puma, and Reebok shoes. Counterfeiters played a low-budget game of industrial espionage, bribing employees at licensed factories to lift samples or copy design specifications. Shoes were even thrown over a factory wall, according to a worker at one of Nike's Putian factories. It wasn't unusual for counterfeit models to show up in stores before the real ones did.

“There's no way to get inside anymore,” Lin told me, describing the enhanced security measures at licensed factories: guards, cameras, and secondary outer walls. “Now we just go to a shop that sells the real shoes, buy a pair from the store, and duplicate them.” Counterfeits come in varying levels of quality, depending on their intended market. Shoes from Putian are manufactured primarily for export, and in corporate-footwear and intellectual-property-rights circles, Putian has become synonymous with high-end fakes, shoes so sophisticated that it is difficult to distinguish the real ones from the counterfeits.

In 2010, U.S. Customs and Border Protection seized more than \$188 million worth of counterfeit goods. The goods included fake Snuggies, DVDs, brake pads, computer parts, and baby formula. But for 5 years, counterfeit footwear has topped the seizure list of the customs service; it accounted for nearly 25 percent of total seizures in 2010. (Electronics made up the second-largest share in that year, with about 18 percent of the total.) The customs service doesn't break down seizures by brand, but demand for the fake reflects demand for the real, and Nike is widely considered to be the most counterfeited brand. One Nike employee estimated that there was one fake Nike item for every two authentic ones. But Peter Koehler, Nike's global counsel for brand and litigation, told me that “counting the number of counterfeits is frankly impossible.”

The factory is off-white, five stories tall, and fronted by a brown metal gate. It was a seasonable summer afternoon when I visited in 2010. Lin is 32, with a wispy mustache and a disarming smirk. He met me outside the factory and took me through the gate. We scaled two flights of aluminum stairs and entered a production floor echoing with the grinding and hissing noises of industrial labor. A few dozen workers stuffed shoe tongues with padding, brushed glue onto foot molds, and ran laces through nearly finished sneakers. Nike and Adidas boxes were stacked in one corner, a pile of Asics uppers in another. On this particular day, the factory was churning out trail runners.

A help-wanted notice on the wall beside the gated entrance sought individuals with stitching skills for all shifts; the bulletin made no mention that the work was illegal. Such things are often just assumed in Putian. Managing a fake-shoe factory puts Lin in the middle of a multibillion-dollar transnational enterprise that produces, distributes, and sells counterfeits. Of course, like coca farmers in Bolivia and opium growers in Afghanistan, Lin doesn't make the big money; that's for the networks running importation and distribution. In 2009, for example, the FBI arrested several people of Balkan origin in New York and New Jersey for their suspected roles in "the importation of large amounts of cocaine, heroin, marijuana, oxycodone, anabolic steroids, over a million pills of Ecstasy, and counterfeit sneakers." Dean Phillips, the chief of the FBI's Asian/African Criminal Enterprise Unit, describes counterfeiting as a "smart play" for criminals. The profits are high while the penalties are low. An Interpol analyst I spoke to added: "If they get caught with a container of counterfeit sneakers, they lose their goods and get a mark on their customs records. But if they get caught with three kilos of coke, they're going down for four to six years. That's why you diversify."