

**Workshop on
“Authentication and traceability solutions to fight against fake products”**

Scoping document

The purpose of this document is to inform about the context and set the framework for the discussion which will take place at the workshop, organised by DG Enterprise and Industry of the European Commission, in Brussels, on 4 June 2014

1. Introduction

Modern authentication and traceability solutions¹ are becoming ever more secure, reliable and affordable. Any resemblance with the solutions used in the past, to mark and demonstrate the authenticity of documents or ensure the integrity of important deliverables, is pure coincidence. Today's systems, which are used in different application contexts, range from affordable ones to more complex, expensive and sophisticated, depending on the purpose, functionalities and security level required.

Authentication and traceability (A&T) solutions are found in a wide variety of economic sectors, notably postal services, automotive and pharmaceutical, food and drink, etc. They may be used by businesses to facilitate the timely and correct delivery of parcels or important documents, manage the transfer of goods, spare parts or money orders, maintain and offer enhanced product safety, quality control management and transparency along the supply chain, etc. They are also used by central banks and public authorities to fight against fraud and tax evasion, e.g. import duties and taxes notably on beverage and tobacco.

A&T solutions, which are used to fight against fakes, e.g. fake products, documents or bank notes, may include visible (overt) and hidden (covert) elements. For that purpose, different techniques are available, notably based on inks, holograms, etc. The technical and economic feasibility of commercially available authentication and traceability solutions has yet to be fully demonstrated, notably in fashion and design-based consumer goods industry sectors, to detect and distinguish genuine from fake products. While we are aware that the solution is not to be found in technology only, this aspect remains important; that is the reason why it is worth exploring it further.

2. Rationale and opportunities for action

a. The rationale

Trade of fake goods is worth of more than 200 billion € a year², of which 50% is fashion and luxury goods, while toys alone is estimated to contribute around 10% of that amount. In 2013, according to the figures available from the UNODC/WCO³ container control programme, around 30% of all seized sea containers carried fake

¹ Modern A&T solutions rely on a combination of either visible or hidden labels, markers, identifiers, codes and/or tags

² Too good to be true: the real price of fake products,
http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=6589

³ World Customs Organisation, WCO news n° 73, February 2014, www.wcoomd.org

goods. Besides unfair competition and the close relationship with organised crime, this illicit trade activity has a clear negative impact on enterprises revenues, and damages brand image and enterprises' reputation.

In the context of fighting against fake products, the European Commission has launched the EU "Stop fakes" campaign⁴ to raise consumers' awareness about the negative impacts on the economy, and the links between illegal trade and organised crime. Also, in the Commission's Communication for a European Industrial Renaissance⁵, reference is made to initiatives aimed at supporting EU enterprises efforts to capitalise on first mover advantage and branding, notably by fighting against fake goods. This, in addition to other initiatives at EU and international level, notably the activities performed by: the Commission's informal expert group on product traceability; the European Observatory on Infringements of Intellectual Property Rights, the OECD working group on consumer product safety; UNICRI's programme on counterfeiting; the WCO combating counterfeiting and piracy group; and the ICC-BASCAP (international chambers of commerce – business action to stop counterfeiting and piracy).

Building upon, and complementing those initiatives to fight illegal trade and tax evasion, DG Enterprise and Industry is seeking to promote a focused exchange of experiences and discussion on how to encourage the wider use of A&T solutions to enhance the competitiveness of EU enterprises and enable growth and jobs, in line with the objectives of the EU 2020 Strategy, as well as to support and take further the achievements of the EU "Stop fakes" campaign.

b. The opportunities

Information about whether or not products are authentic is highly valued by consumers. Consumers also appreciate that product-related information is accurate, reliable and easy to understand, as this is of particular relevance when making purchasing decisions.

Manufacturers or importers have to reassure consumers and business partners in the value chain that the products made available on the market are authentic. For this purpose, enterprises require affordable and reliable tools to communicate with public authorities and to inform customers that they produce and sell quality and genuine products. This will help protecting brand image and market share against fakes.

Public authorities (e.g. customs, market surveillance and enforcement) have an important role to play in protecting both on-line and off-line consumers against fakes and in co-operating with businesses to ensuring that fake products are not entering the market or are removed from the market when detected. Besides reliable information systems, complementary affordable and easy to use tools, equipment and devices also enable to easily verify whether products are authentic or fake, and whether or not they are being legally traded.

⁴ ec.europa.eu/enterprise/stopfakes

⁵ COM(2014) 14 final of 22 January 2014

In this context, further efforts are deemed necessary to, *inter alia*:

- i. Identify and address the A&T needs specific to design-based consumer goods, e.g. toys, clothing, footwear, or fashion and high-end products,
 - Which are the factors (market and/or regulatory barriers) hindering the widespread use of existing A&T solutions, notably by SMEs?
 - What incentives and support measures would be required to favour the uptake of secure and affordable A&T systems?
- ii. Improve awareness about A&T technologies and solutions which are already available on the market
 - What would be the benefits and costs of each specific technology/solution?
 - How could existing A&T solutions serve as the basis for industry led initiatives aimed at products authenticity and brand protection?
- iii. Promote and support partnerships, to further cooperation and coordinated action among producers, consumers, relevant organisations (e.g. standardisation bodies) and public authorities
 - Which actions are likely to favour the deployment and use of A&T solutions to fight against fakes, in particular of fashion and high-end consumer goods?
 - Which mechanisms (e.g. incentives) are likely to be required and how to engage stakeholders and mobilise resources?

3. Conclusion

On the basis of the above, targeted action is deemed relevant notably as regards:

- Identifying opportunities for further cooperation and coordinated voluntary action (e.g. exchange of good practices, standardisation).
- Reviewing the benefits and costs of different technical solutions commercially available to demonstrate and verify products' authenticity, be they based on visible (e.g. holograms, optically variable devices or colour shifting inks), hidden (e.g. UV or IR printing, embedded images or watermarks), or forensic markers (e.g. chemical, biological, DNA).
- Raising awareness about tracking and traceability solutions, would these be based on serial numbering (e.g. product or manufacturer identifier), coding (e.g. 2-D codes) or tagging (e.g. RFID) technologies.

Besides fighting against illegal trade and fake products, relevant supply chain related aspects, notably logistics including inventory and stocks management, real time demand and supply management, etc. need also to be adequately addressed. The likely benefits to enterprises' competitiveness, in addition to product safety, border tariffs, etc., have to be clearly identified and, to the extent possible quantified, to foster the uptake and wider use of A&T solutions.

Modern A&T solutions are available and offer new opportunities to improve fighting against fakes. Cost is, however, still a barrier to the widespread use of A&T

solutions, notably by SMEs, that has to be overcome. Further action could focus on ways and mechanisms to encourage:

- the (voluntary) use of product authenticity markers by manufacturers and other business actors along the supply chain;
- the exchange of good practices and information sharing between consumers, businesses and public authorities; and the willingness of businesses along the supply chain to cooperate with each other and relevant public authorities;
- the businesses to decide whether or not to include authenticity features in their products; and to identify and implement appropriate and cost-effective solution(s) which better fit specific needs of detecting and distinguishing fakes from genuine products; and
- standardisation work, where appropriate, to facilitate the uptake of new and innovative solutions

As part of this process, DG Enterprise and Industry is organising the workshop on authentication and traceability solutions to fight against the trade of fake goods, which is expected to deliver preliminary answers to the questions above and recommendations to stakeholders (consumers and businesses) and public authorities. A summary of the discussion and possible workshop's recommendations will be publicly available.

30/04/2014