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Raids net HK\$25m fake computer haul

Police arrest seven in crackdown on counterfeiting syndicate

Nick Gentle

Up to US\$25 million worth of counterfeit computer networking equipment was seized and seven people arrested in 10 simultaneous raids across Shenzhen.

At least one other person is on the run after authorities issued an arrest warrant for the alleged mastermind of the operation.

The joint operation on Wednesday between the Shenzhen Public Security Bureau (PSB) and private security firm I-On Asia broke up a sophisticated counterfeiting syndicate and was the result of an eight-month joint surveillance operation.

More than 10,000 pieces of equipment with a sale value of up to US\$25 million were seized.

The items were to be sold domestically and internationally under the Nortel, Cisco Systems or Hewlett Packard brands.

"It was a very, very sophisticated operation," said Derek Elmer, chief executive officer of I-On Asia, a security and risk assessment firm.

The syndicate took the counterfeited products from production all

the way to the final consumer. "They had high security – they performed counter-surveillance exercises every day – and moved around a lot," Mr Elmer said.

"At one point they moved their entire factory, which is no small feat."

He estimated about 200 people worked at the factory.

It was believed the syndicate, made up of about 50 core people, had substantial backing from other mainland criminal enterprises.

In what may be a first for intellectual property protection operations on the mainland, it is understood tracking devices were attached to syndicate delivery trucks to thwart counter-surveillance efforts.

Using GPS technology, investigators were able to home in on 10 main locations used by the gang and then co-ordinate with police to raid them.

Matthew Wray, director of marketing and communications at Nortel Asia, congratulated the PSB on breaking up the syndicate.

"We are delighted the PSB took

on this action," he said yesterday. Counterfeited networking equipment, although it may seem innocuous enough, could cause serious problems, not just for the brands being copied, he said.

"Obviously if it is not something we have produced then we cannot say how it will perform or what damage it might do to a network where it is installed."

Mr Elmer said that while some people liked to criticise the PSB's performance, the manner in which it had handled this investigation was up there with the best practice around the world.

"Anyone who puts together and can co-ordinate 10 simultaneous raids with about 100 officers and keep it secret is doing well," he said.

"Although they of course have manpower issues – they just don't have enough people – the ECID [Economic Crime Investigation Department], the PSB and the AIC [Administration for Industry and Commerce] have shown just as much professionalism as any other police force in the world in dealing with this sort of problem."