

**FEBRUARY 27, 2008**

## **Counterfeit Crackdown: New York Police Shutter Canal Street Buildings** **By Ross Tucker**

NEW YORK — The Counterfeit Triangle has been flattened.

A collection of buildings in Chinatown occupying a city block and operating as a virtual mall for counterfeit goods was raided by New York City police officers Tuesday morning, resulting in the seizure of more than \$1 million in knockoff accessories and fragrances bearing some of the fashion industry's best-known labels, including Prada, Fendi, Coach, Rolex, Gucci, Dolce & Gabbana, Burberry, Calvin Klein — and even Dora the Explorer.

The three raided buildings comprised what the Mayor's Office of Special Enforcement and the NYPD dubbed the "Counterfeit Triangle," a reference to the shape of the block formed by Canal, Walker and Centre Streets. The block was found to house 32 storefronts illegally selling fake goods. All three buildings are owned by the Vincent Terranova estate, a landlord who city officials said has knowingly rented out space to counterfeit retailers dating as far back as 1999.

And Mayor Michael Bloomberg trumpeted during a press conference that the bust, which he said was one of the largest takedowns of trademark copiers in the city's history, shows New York's get-tough attitude toward counterfeiters.

"Today, the message we're sending to counterfeiting operators and their landlords throughout the city is, whoever you are, wherever you are, we are going to shut you down," Bloomberg said.

The mayor added, "[The Counterfeit Triangle] has been one of the most notorious knockoff shopping malls in the five boroughs, one with more than 150 employees operating with impunity 10 or more hours a day, seven days a week, even while the building owners were under a long-standing federal court order to stop counterfeiting activities."

Investigators involved in undercover operations that began in January said they made purchases of counterfeit goods from as many as 56 separate vendors who had set up shop in the buildings. Kevin Dougherty, president of private investigations firm Counter-Tech Investigations Inc., which was involved in the probe, said it likely would take two days to empty out the contents of the buildings, but the majority of items seized so far had been handbags, scarves, belts, watches and fragrances.

"This is really the best event that's happened to Canal Street," said Dougherty, who added that searches of the buildings uncovered additional storage rooms and backroom retail operations.

No arrests have been made, but city officials will move quickly to issue violations of health and safety codes that will result in orders to vacate the premises, effectively shutting the buildings down.

This strategy has been successfully employed elsewhere in the city and puts the burden of counterfeiting on the shoulders of landlords. In 2003, the Mayor's Office and the NYPD began a joint initiative to clean up a stretch of buildings on Broadway in the 20s and 30s that were subdividing floors into makeshift stalls for counterfeit vendors. Rooms filled from floor to ceiling with counterfeit apparel and footwear were rampant before the police started raiding buildings and issuing violations that allowed them to remove the vendors and padlock the doors.

By 2005, the Mayor's Office and the NYPD had seized more than \$45 million in counterfeit merchandise and taken 13 of the largest buildings involved off the market. Police Commissioner Raymond Kelly said during the press conference Tuesday that citywide in 2006, more than \$25 million in counterfeit goods were seized, 75 warrants issued and almost 100 arrests made. Last year, seven locations were closed and \$500,000 in fines collected. The products seized included everything from DVDs to computer games to apparel.

Dougherty believes the Midtown effort was the "single most important event that defined enforcement in New York" and noted that several buildings in the area remain closed. The city also has been vigilant in revisiting buildings in Midtown that have reopened to make sure illegal activity does not resume. Dougherty believes landlords are getting the message.

"The landlords from Canal Street will not want to bear the same brunt as those on Broadway," he said.

Bloomberg sees the counterfeiting industry as a direct threat to the economic vitality of the city and its ability to draw some of the world's biggest brand names to conduct business here.

"We want all companies in this country and this world to understand if they come to New York, we will protect their rights," Bloomberg said. "We're going to go after anybody that tries to defraud them."

Intellectual property lawyers and brand owners praised the work of the Mayor's Office of Special Enforcement and the NYPD, and believe that the strategy of going after landlords is having a lasting impact.

"The strategy has paid off very well," said Brian Brokate, partner with Gibney, Anthony and Flaherty LLP, which represents several of the brands involved. "It takes months for the landlords to go through nuisance abatement proceedings to get their property back. The premises are not recovered without significant expenditure of time and money from a landlord. What it does is keep the building clean. Landlords become very vigilant."

This strategy has been applied to the Canal Street area before, but not on such a large scale, according to Brokate.

Heather McDonald, a partner with Baker Hostetler LLP, whose firm also represents several brands found in the raid, said that, although there have been larger seizures in dollar terms, the raid served as an example of the sustained pressure being applied by the city.

"The fact that the city took steps to rid the city of a chronic problem is significant," said McDonald.

Bloomberg also had a message for the throngs of tourists that continue to flood Chinatown in search of knockoff labels: "This is the wrong place to come if you want to buy stolen merchandise. We are not a place that engages in criminal activity."