

# Counterfeit power tools: The Gomorrah Case

# Case overview

---

## 2006 – 2011

- Criminal ring active in several countries - Belgium, Germany, France, Italy, Spain (leatherface)
- Counterfeit power tools imported from China
- International distribution via Naples
- Counterfeit labels produced in Naples
- Network of traveling sellers
- Infringement of EU safety standards

# Case overview

Infringed trademarks included:



**HITACHI**



**STIHL**<sup>®</sup>



# Case overview

---

## Origin of the case

- Investigation of travelling power tool retailers in Belgium
- Distribution network extended to France and Germany
- Europol launched several probes all over Europe
- Eurojust coordinated national investigations

## Procurement of materials and manufacturing

Sub-standard Chinese power tools were shipped to Naples in Italy and to Seville, Valencia and Malaga in Spain

The merchandise was then distributed to multiple EU countries

# Modus operandi



**The trafficking route of counterfeit power tools**

# Modus operandi

---

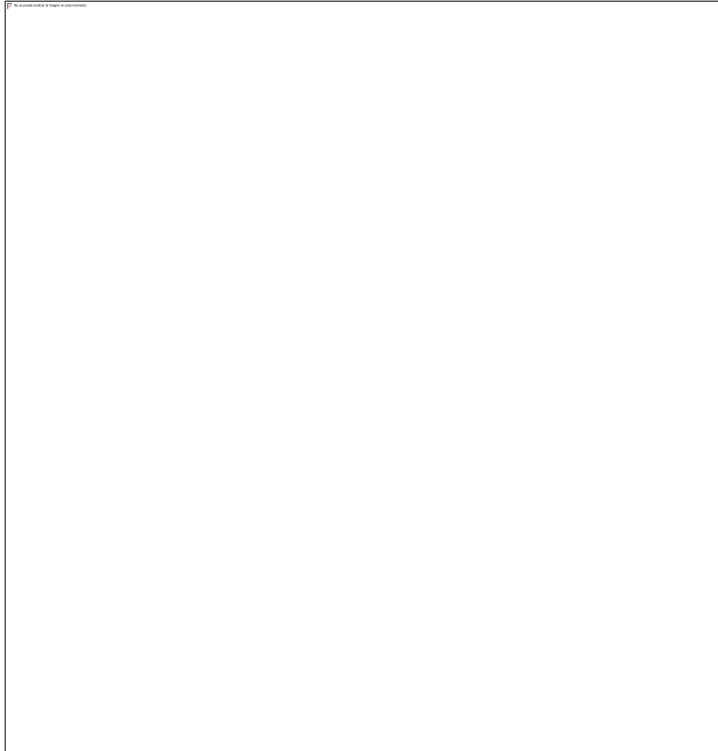
## Procurement of materials and manufacturing

Criminals replaced the original packaging with counterfeit labels and stickers of well-known trade marks, manufactured in Naples

This activity was left to retailers in the country of destination (also affixed CE mark)

# Modus operandi

## Procurement of materials and manufacturing

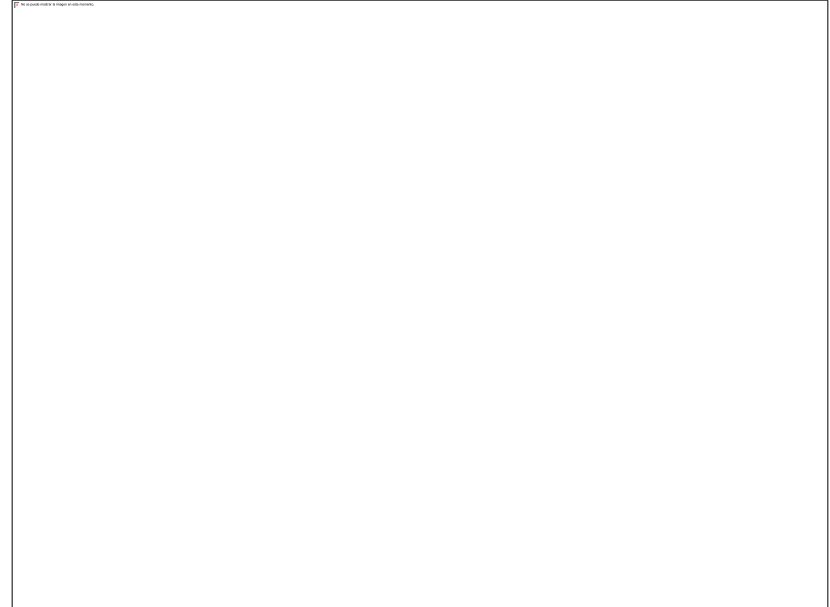
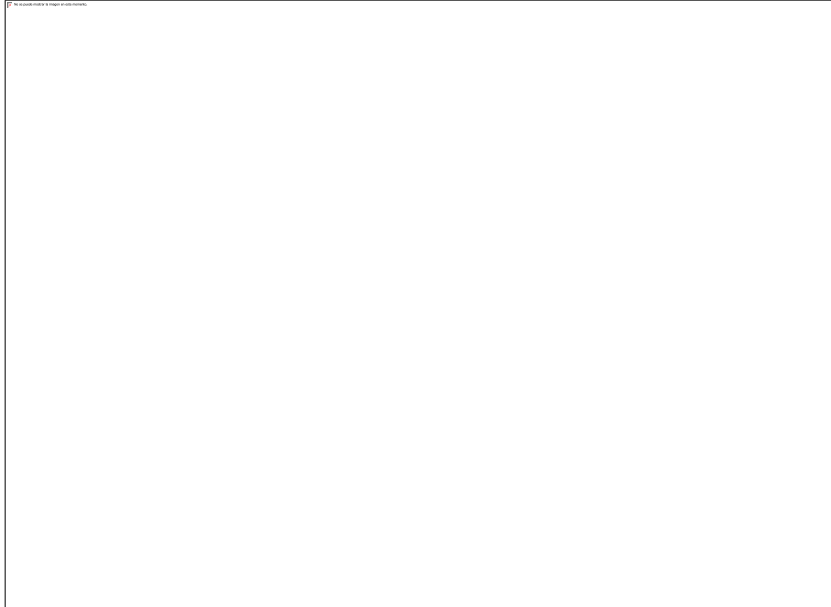


**Falsified Hitachi trade mark and Bosch  
tool case seized during the operation**



# Modus operandi

## Procurement of materials and manufacturing



**Counterfeit Hitachi hammer drill with spare parts and case**

## Modus operandi

Vendors passed themselves off as sale agents of non-existent power tool wholesalers and even reproduced advertising materials from the original manufacturers (Spectra Group Mechanics in Belgium)

The procurement of counterfeit labels ensured the commercial value of the power tools

## Role of the Castellano Family in Naples

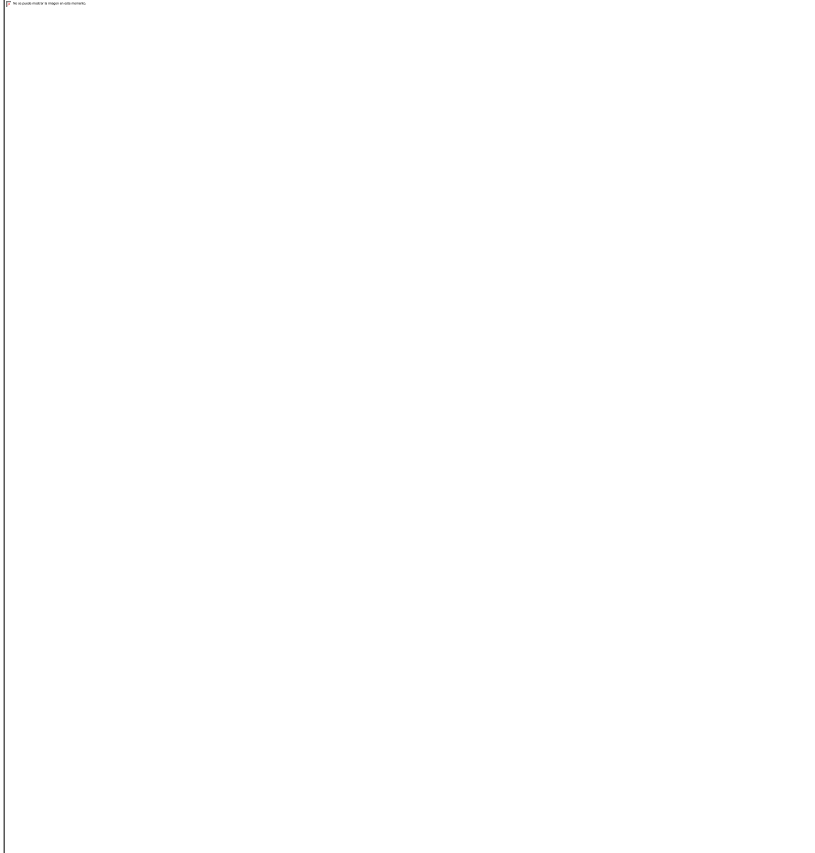
- Falsified labels wrapped in newspaper inside the boxes included in each order
- Orders placed over the phone with the Italian importer, the company IRON 3000 SRL
- International distribution through vendors based in Belgium, France, Germany and the Netherlands
- The importer was paid via postal orders and money transfers, while the retailers required cash payments

# Modus operandi

## Role of the Castellano Family

**Premises of IRON 3000 SRL in  
Naples**

# Modus operandi



**The distribution network of counterfeit power tools**

# Modus operandi

---

## Organizing the trade

Response to law enforcement operations:

- Relocating vendors to different countries where they had no criminal record,

=> Resuming the distribution of counterfeit tools

# Modus operandi

---

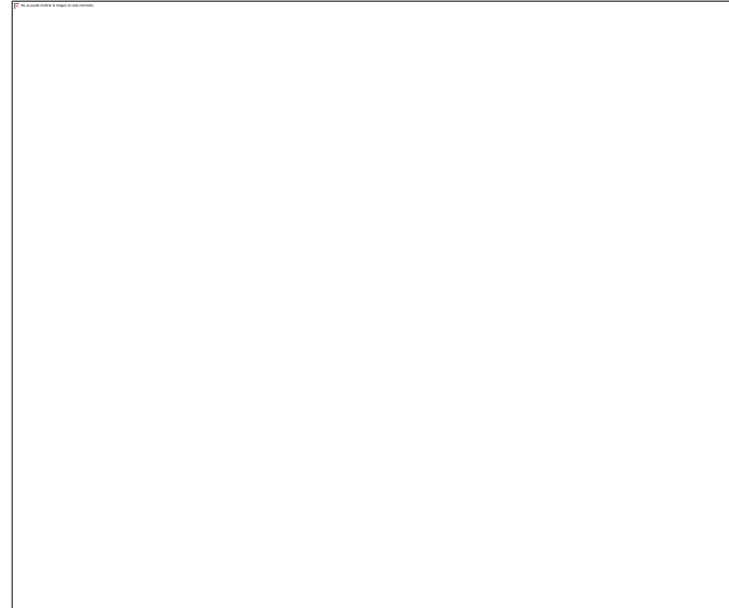
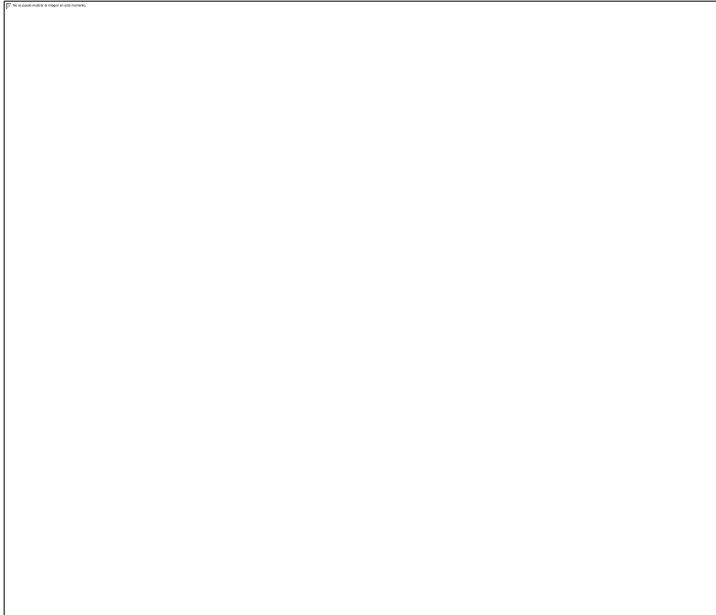
## Organizing the trade

To support the distribution network, the criminal group rented:

- storage space both in Zaventem (Belgium) and in Karlsruhe (Germany)
- hotel rooms as accommodation during rounds of sales

# Modus operandi

## Organizing the trade: vans distribution



**Seizure of a counterfeit diesel generator and raid of a storage space during Operation Gomorrah**



Eurojust estimated the proceeds of crime at EUR 250 000 over a 2-3 month period for a team of two vendors

The national court cases confirmed the profitability of the trafficking:

- 150 electric generators sold in Karlsruhe in four months.  
The price of each ranged from EUR 2 300 to EUR 4 900
- EUR 440 000 transferred from vendors in Belgium to Naples
- 2 300 counterfeit Honda generators offered for sale in France over a ten-month period

## More than just Gomorrah!

### => Operation Leatherface

Coordinated investigations in Italy and Spain revealed a much larger power tool importation scheme, involving the Camorra

In July 2011 the Guardia Civil arrested 64 members of the Rea clan in Operation Leatherface

Charges were brought for criminal conspiracy, money laundering, tax evasion and IPR infringement

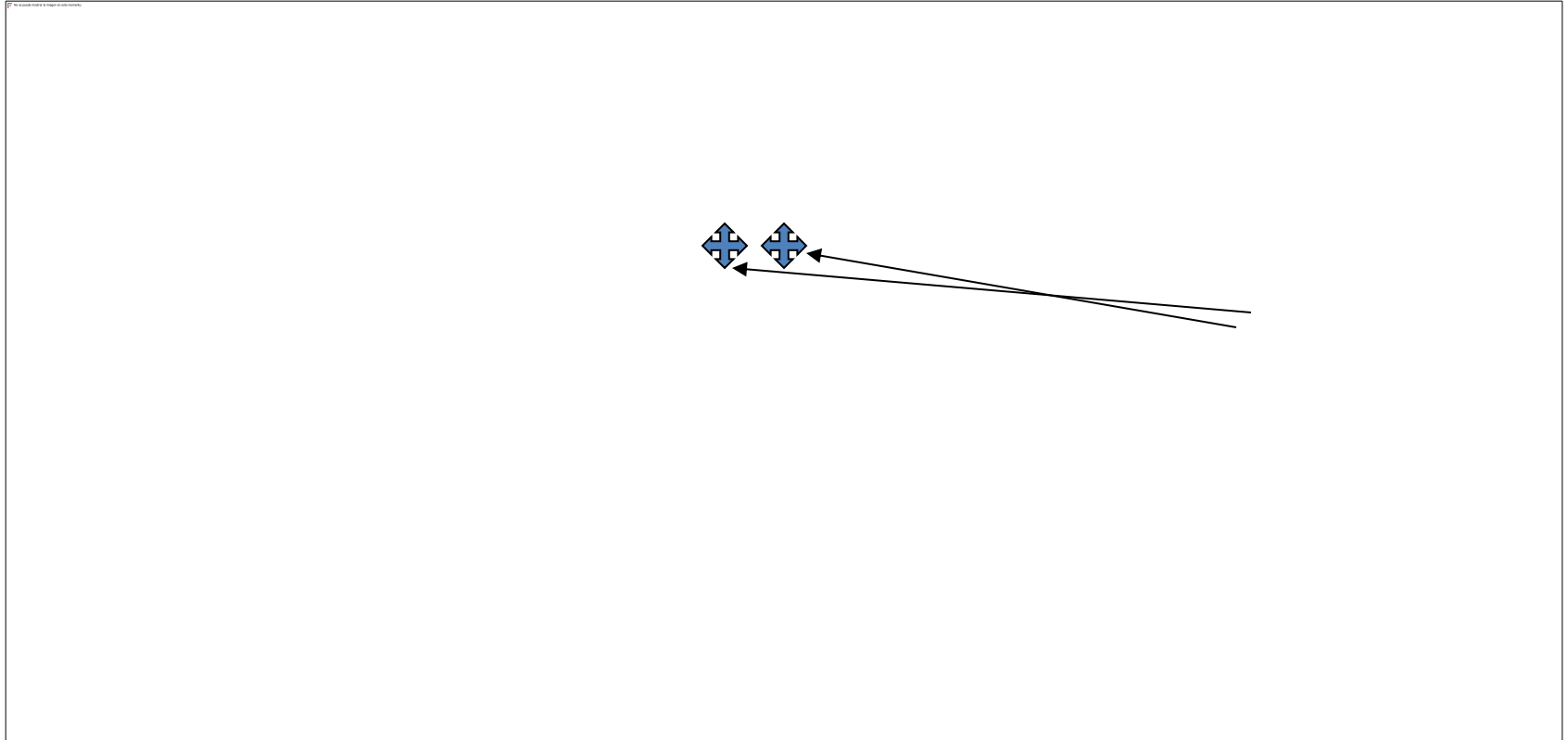
## Cooperation between transnational criminal groups

The clan shipped counterfeit machinery and textiles from China to Spain and Italy

The merchandise was placed on the EU market, in Finland, France, Germany, the Netherlands, Poland, Hungary, Romania and Portugal

Some of the products were also shipped to the US, Brazil, Mexico, Morocco, South Africa and Canada

# Operation Leatherface - Modus operandi



**The distribution network of counterfeit power tools in Operation Leatherface**

## Cooperation between transnational criminal groups

The criminal group controlled 20 companies, exploited to launder each other's illicit proceeds through false invoicing

The Guardia Civil carried out 12 searches in Malaga, Madrid, Barcelona, Valencia and Seville, seizing a large volume of merchandise

## Cooperation between transnational criminal groups



Counterfeit chainsaws and a warehouse that was raided during Operation Leatherface

## Cooperation between transnational criminal groups

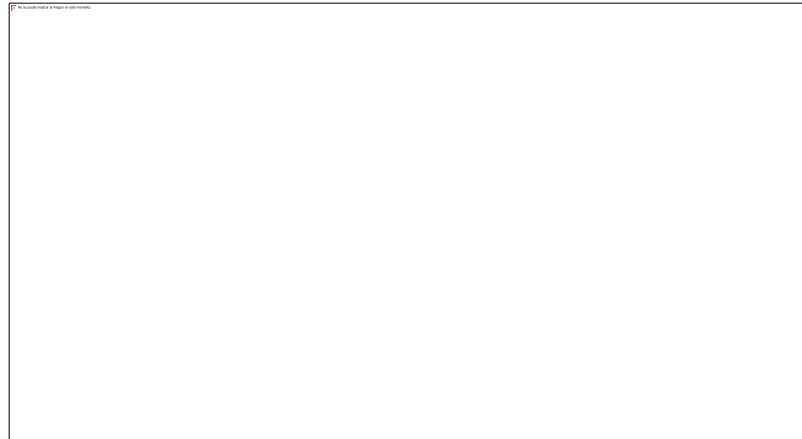
Operation Leatherface prompted further investigation of the Rea clan in Italy

In July 2011 the Anti-Mafia Directorate issued 12 search warrants, executed by the Financial Police in the hinterland of Naples, Caserta and Rome

At the premises of the company "Rega SRL", located close to Naples and owned by the Rea family, law enforcement agents seized 300 counterfeit power tools, as well as thousands of falsified clothing items

## Cooperation between transnational criminal groups

The original labels had been manipulated to conceal the Chinese origin of the merchandise, with an estimated market value of EUR 1 000 000

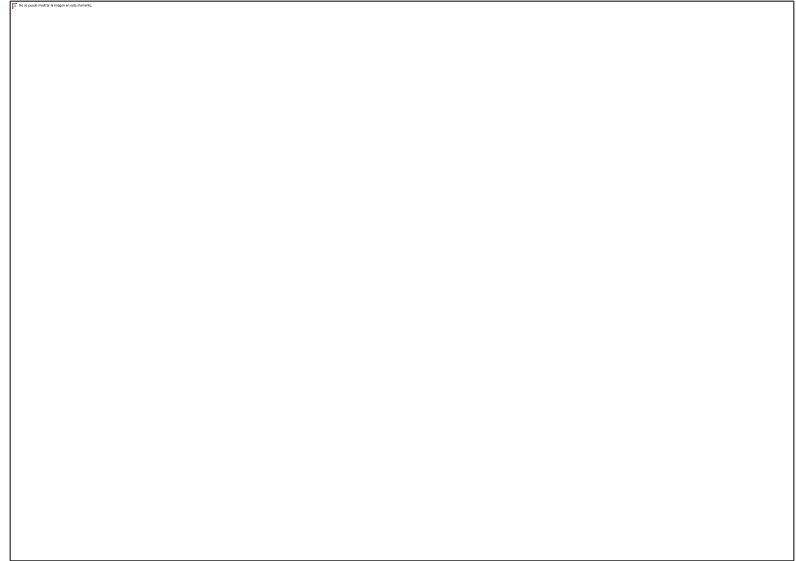
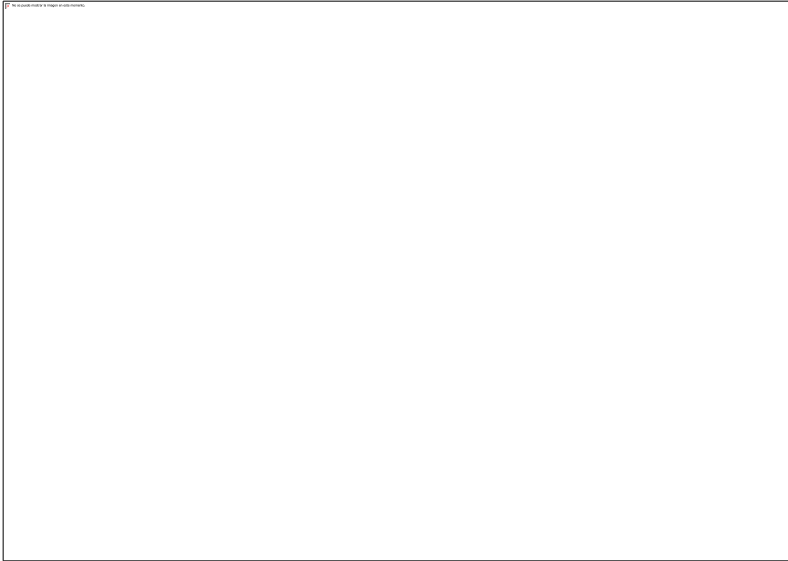


**Counterfeit label seized during Operation Gomorrah 2**



# Operation Gomorrah 2 - Modus operandi

## Cooperation between transnational criminal groups



**Warehouse search during Operation Gomorrah 2**

# Gomorrah Case overview

Eurojust held five operational meetings to:

- exchange information
- raise awareness of the connections between counterfeiting and the Camorra clans
- coordinate several law enforcement and judicial authorities in different countries

## Timeline 1/2

### Major judicial cooperation measures adopted

- 8 June 2009            **Operational and coordination meeting co-chaired by Europol and Eurojust at Europol**
- 17 July 2009        **Expert's meeting with rights holders at Europol**
- 12 November 2009 **Coordination meeting at Eurojust**
- 05 May 2010        **Level II meeting at Eurojust on letters of request**
- 14 May 2010        **Integration of letters of request provided**
- 19 May 2010        **Operational meeting at Europol**

# Gomorrah Case overview

## Timeline 2/2

### Main enforcement operations

- June 2009                    **Operation in Nice**
- September 2009           **Operation in Germany**
- 20 May 2010                **Operation in Italy and in seven other countries**
- 13 July 2011               **Operation Leatherface in Spain**
- 19 July 2011               **Operation Gomorrah 2 in Italy**

# Gomorrah Case overview

## Results

- Five-year investigation
- Law enforcement agencies from 20 EU countries, Europol and Eurojust
- 67 criminals arrested
- 143 warehouses searched
- 800 tonnes of counterfeit products seized (valued at EUR 12 000 000)
- EUR 16 000 000 in assets recovered.

## Challenges

- Tracking down a widespread criminal network
- Time constraints to carry out arrests, searches and seizures
- Identification of the competent authorities to execute operations in each country
- Different national legal and evidentiary requirements
- Revision of the translation of the letters of request to secure their prompt execution

## 1) Information exchange among the competent judicial authorities

Eurojust National Members invited the prosecutor's office in Naples to investigate a transnational counterfeiting ring

The coordination of Eurojust was essential to revealing the magnitude and scale of the criminal network

## 2) Promoting and facilitating the execution of letters of request

The expertise of Eurojust national members in the respective legal system allowed executing over 30 requests for Mutual Legal Assistance

Eurojust coordinated simultaneous operations in several EU countries, thus avoiding the dispersion of evidence or flight of criminals, while maintaining a coordinated development of operations



## 2) Promoting and facilitating the execution of letters of request

Eurojust activities also stressed the challenges of efficient judicial cooperation

Several countries requested an integration in letters of request to authorise operations

Failure to provide specific data prevented the execution of searches in Poland and the U.K.

- The intervention of Eurojust was key to the success of Operation Gomorrah

Direct contact between the judicial authorities revealed the transnational reach of criminal operations, which had gone unnoticed for years

The execution of requests for mutual legal assistance prevented the dispersion of evidence and flight of suspects

# Take-away points

---

- 1) Links between counterfeiting and organised crime
- 2) High profitability of trafficking
- 3) Damage not limited to IPR infringement, but extended to health and safety threats for users
- 4) Low visibility and transnational reach of criminal group
- 5) Key role of international judicial cooperation through Eurojust



**EUIPO**  
EUROPEAN UNION  
INTELLECTUAL PROPERTY OFFICE

[www.euipo.europa.eu](http://www.euipo.europa.eu)



---

#oamitweets



---

[youtube/oamitubes](https://www.youtube.com/oamitubes)

Thank you