

iFraud: Entire Apple stores being faked in China (Update)

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A man walks past windows of a shop masquerading as a bona fide Apple store in downtown Kunming, in southwest China's Yunnan province, Thursday, July 21, 2011. China, long known for producing counterfeit consumer gadgets, software and brand name clothing, has reached a new piracy milestone - fake Apple stores. (AP Photo) CHINA OUT

It looks almost exactly like a sleek Apple store. Sales assistants in blue T-shirts with the company's logo chat with customers. Signs advertising the iPad 2 hang on the white walls. Outside, the famous logo sits next to the words "Apple Store" - one of the few clues that the whole thing is a fake.

China, long known for producing counterfeit consumer gadgets, software and brand name clothing, has reached a new piracy milestone - fake Apple stores.

An American who lives in Kunming in southern Yunnan province said

Thursday that she and her husband stumbled on three shops masquerading as bona fide Apple stores in the city a few days ago. She took photos and posted them on her BirdAbroad blog.

The 27-year-old blogger, who spoke on condition of anonymity, said the setup of the stores was so convincing that the employees themselves seemed to believe they worked for Apple.

"It had the classic Apple store winding staircase and weird upstairs sitting area. The employees were even wearing those blue T-shirts with the chunky Apple name tags around their necks," she wrote on her blog.

"But some things were just not right: the stairs were poorly made. The walls hadn't been painted properly. Apple never writes 'Apple Store' on its signs - it just puts up the glowing, iconic fruit."

A worker at the fake Apple store on Zhengyi Road in Kunming, which most of the photos of the BirdAbroad blog show, told The Associated Press that they are an "Apple store" before hanging up.

But the three stores are not among the authorized resellers listed on Apple Inc.'s website. The maker of the iPhone and other hit gadgets has four company stores in China - two in Beijing and two in Shanghai - and various official resellers.

Amy Bessette, a spokeswoman for the Cupertino, California-based company, said it had no comment on the Chinese stores, but pointed to a Web page on Apple's Chinese site that lists its authorized resellers.

The manager of an authorized reseller in Kunming, who gave only his surname, Zhang, said most customers have no idea the stores are fake.

Some of the staff in the stores "can't even operate computers properly or

tell you all the functions of the mobile phone," he said.

"There are more and more of these fake stores in Kunming. Although they may sell real Apple products, some of those products were not imported through legal means."

The proliferation of the fake stores underlines the slow progress that China's government is making in countering a culture of rampant piracy and widespread production of bogus goods that is a major irritant in relations with trading partners.

China's Commerce Minister promised American executives earlier this year that the latest of several crackdowns on product piracy would deliver lasting results.

China's official Xinhua News Agency reported this month that police arrested more than 9,000 suspects in a nine-month anti-piracy campaign as it shut down more than 12,000 factories that produced counterfeit goods. China's supreme court said this spring that the nation's judicial system rendered verdicts last year in more than 40,000 intellectual property cases involving property with a combined value of almost 8 billion yuan (\$1.2 billion).

Fake Apple stores are a "particularly egregious example" of brand piracy, but their emergence is not surprising given the amount of product counterfeiting faced by corporations such as Apple, said Ted Dean, president of BDA China Ltd., a telecommunications market research company. He said he once saw a fake Apple phone in China that had an apple logo - but with no bite taken out of it.

Apple said this week that China was "very key" to its record earnings and revenue in the quarter that ended in June.

Revenue was up more than six times from a year earlier to \$3.8 billion in the area comprising China, Hong Kong and Taiwan, Apple's Chief Operating Officer Timothy Cook said in a conference call on Tuesday.

"I firmly believe that we're just scratching the surface right now. I think there is an incredible opportunity for Apple there," Cook said.

The company plans to open two more Apple stores in greater China - one in Shanghai and another in Hong Kong - by the end of the year.

Trade groups say illegal Chinese copying of music, designer clothing and other goods costs legitimate producers billions of dollars a year in lost potential sales. The American Chamber of Commerce in China says 70 percent of its member companies consider Beijing's enforcement of patents, trademarks and copyrights ineffective.

Piracy is especially sensitive at a time when Washington and other Western governments are trying to create jobs by boosting exports. In 2009, the World Trade Organization upheld a U.S. complaint that Beijing was violating trade commitments by failing to root out the problem.

Rampant copying also has hampered Beijing's efforts to attract technology industries because businesspeople say companies are reluctant to do high-level research in China or bring in advanced designs for fear of theft.

More information:

Online: Blog post: <http://birdabroad.wordpress.com/2011/07/20/are-you-listening-steve-jobs/>

Apple's authorized resellers in China:
<http://www.apple.com.cn/reseller/index.php>

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