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BUSINESS

A tale of two Juul pods: China's counterfeits pose a threat to US

By John Crudele

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A real (left) Mango flavored JUUL cartridge and a fake one

Annie Wermiel

All anyone needs to know about the trade talks between the US and China is contained in the two boxes of Juul pods that I have in front of me.

Juul, in case you don't know, is one of those electronic cigarette brands that is made by an American company.

The "pods" are the size of a top of a computer thumb drive. The pods plug into the smoking device — the electronic "cigarette" — and deliver the flavor and nicotine to the smoker.

Many people consider these e-cigarettes an ingenious way for smokers to get off real tobacco. These are, no matter what you think about smoking and cigarettes, a technological advancement.

E-cigarettes are also someone's brainchild, which makes them no different from designer handbags, spiffy watches or drugs that lower cholesterol. All these things are someone's intellectual property.

So why am I saying that the pods on my desk have anything to do with international trade talks? Because one of the boxes is the real thing and the other is a counterfeit version that came from China.

The two boxes are identical except for the fact that the fake one has plastic wrapping around it — a misstep in the counterfeiting process that I'm sure the Chinese will fix just as soon as they read this.

Same box — right down to the warning on the front and back that "This product contains nicotine. Nicotine is an addictive chemical."

That makes Juul another victim of China's ugly habit of stealing technology, or — using the buzzword of the day — "IP," the abbreviation for intellectual property.

The other issue — the smaller one, unless you are a smoker — is whether the flavored "juice" inside the counterfeit pods is actually safe to inhale and whether the vapor that the smoker exhales is harmful to those around him.

I do plan to send the fake pods out for chemical analysis but didn't have enough time to do it for this column. But eyeballing the pods that came from one fake box shows a clear difference — the juice is cloudy. The real pods contain a clear liquid.

But the juice in a second box of fakes I have was clear and not much different from the contents of the real pods.

So, there's clearly an issue of what you are smoking if you intentionally, or unintentionally, get a box of counterfeit juice pods. Your health could be harmed more than it is by just inhaling nicotine.

But the macroeconomic question that the Trump administration has to deal with is whether it can really stop the Chinese from producing knockoff products, whether they be pocketbooks, ties, electronic equipment, drugs or e-cigarettes.

Even as the American and Chinese negotiators hash out terms of the trade deal, there are factories in China churning out counterfeit goods. Even when a trade deal with China is finally reached — and something will eventually be signed — will the Chinese government be willing and able to stop IP theft and counterfeit goods manufacturing?

That's going to be hard for the Chinese to do. Counterfeit goods are a very lucrative business and partly the reason why China ships so many more goods to the US than it buys from us.

The tobacco distributor who gave me the fake Juul pods says he's been inundated with photos of a Chinese factory producing these counterfeits. And he's been getting pitches all the time by salesmen for the Chinese company.

And while he was too honest to buy the products — despite the enormous profit he could be making — others may not be as ethical.

Juul is already suing 30 Chinese counterfeiters. But that company's effort seems to be against counterfeiters that are selling knockoffs on Amazon and eBay. The bigger test will be whether the company can stop tobacco distributors and stores from handling the fakes.

There's a big profit in the fakes.

I paid \$35 for a four-pack of real pods the other day. That'll give a smoker the equivalent of four packs of cigarettes.

The real pods cost a distributor about \$10 a box. The distributor then sells them to stores for about \$20 a box. Each one who handles the pods marks them up for their profit.

The counterfeiters were offering fake boxes of pods to distributors for about \$4.40 — less than half what the real pods would cost. And the smoking device — the cigarette — that the pod goes into (yes, the counterfeiters have them also) was \$5.85, compared with the real one that would cost about three times that amount.

“The Chinese can copy anything,” someone said to me the other day. They sure can. Now it's time to see if the Trump administration can break them of that nasty habit.

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