

Addressing the Sale of Counterfeits on the Internet

The Issue

In the global environment, the sale of counterfeit goods remains a significant issue facing consumers, industry and governments alike. The advent and subsequent rapid development of the Internet has raised the problem to heightened levels as counterfeiters find simplified means and additional channels in cyberspace to promote and sell counterfeit products to consumers.

A number of key factors have spurred the growth of counterfeit sales online:

- Worldwide reach of the Internet means that sellers of counterfeits can reach consumers all over the world and are not limited to ‘brick and mortar’ establishments. Likewise, consumers who have access to the Internet are more exposed to and have more opportunities to knowingly or unknowingly purchase counterfeits from sellers within or outside their respective countries.
- Payments can be made entirely online. Therefore, it is not only consumers who can purchase counterfeits using the Internet; retailers, wholesalers, re-sellers or anyone else with a credit card can shop for counterfeits online.
- The anonymity gained from operating via the Internet allows counterfeiters to more easily dupe consumers into thinking they are buying genuine products. A number of factors contribute to this:
 - Entering a trademark owner’s trademark into a search engine does not guarantee that each website in the search results (whether in the natural results or the sponsored links) offers only genuine products of the trademark owner. Online sellers of counterfeits, like online sellers of genuine branded products, can take steps to achieve higher listings for their websites in the natural results and (under current U.S. law in at least some jurisdictions) purchase a trademark owner’s trademark as a keyword to secure a listing in the sponsored results. Online purchasers seeking to buy genuine products – and intending to pay for genuine products – may instead receive links to sites selling counterfeits.
 - Internet sellers can easily post pictures showing genuine products, but then ship counterfeits to those consumers once the sale is placed online. This is in contrast to sales at brick-and-mortar stores, where consumers can see and handle the product they are purchasing.

The Impact

Increased sales and access to counterfeits pose serious threats to the economy and to public health and safety. The Organization for Economic Cooperation & Development (“OECD”) noted in the recent study on “The Economic Impact of Counterfeiting and Piracy” that the Internet has provided counterfeiters with a new and powerful means to sell their products, suggesting that a significant share of the counterfeit trade is attributable to the Internet.¹ Public health and safety are put at grave risk by counterfeit pharmaceuticals, airplane and automotive parts and electronic goods that are made with substandard and/or toxic materials.

It has also facilitated counterfeiting activities conducted by organized criminals. The OECD report shows that criminal networks and organized crime thrive via counterfeiting and piracy activities.² U.S. authorities have reported that sales of counterfeit goods, including fake medicine, have been used to support the Middle-Eastern terrorist group Hezbollah.³ Counterfeiting proceeds have been linked by other investigators to Al-Qaeda, the Irish Republican Army, ETA, the Mafia, Chinese Triad gangs, the Japanese Yakuza crime syndicates, Russian organized criminals and international illegal drug cartels.⁴

The Discussions

While the link between the increased sales of counterfeits on the Internet and the harms caused to businesses and the public is clear, the solution to the issue is complex and challenging. As a result, how to address the sale of counterfeits on the Internet has become a hotly debated topic within industry and policy-makers, alike. Questions on who is responsible for curbing the problem and what legal, policy and/or voluntary measures are needed have been widely discussed in industry and government forums. Measures to address the issue are under consideration at the international level, such as the Anti-Counterfeiting Trade Agreement (ACTA) – a plurilateral trade agreement with the objective of raising standards in combating counterfeiting and piracy.

Counterfeit sales over the Internet have become a priority for INTA. After in-depth study and debate over several years, INTA’s Anti-Counterfeiting and Enforcement Committee (ACEC) presented its analysis and initial recommendations to INTA’s Board in 2008. As a result, two task forces were formed to examine and develop recommendations on practical ways for trademark owners, online marketplaces, search websites and payment service providers (PSPs) to address the sale of counterfeits over the Internet. One task force was comprised of online

¹ OECD, [“The Economic Impact of Counterfeiting and Piracy – Executive Summary”](#)

² OECD, [“The Economic Impact of Counterfeiting and Piracy – Executive Summary”](#)

³ Id.

⁴ Carratu International, Plc, [“Rise in Counterfeit Market Linked to Terrorist Funding,”](#) June 26, 2002

marketplace and search websites, while the other task force was comprised of PSPs. Trademark owners who are victims of online counterfeiting participated in both task forces.

The task forces explored ways for trademark owners and online service providers to work cooperatively to address the sale of counterfeits over the Internet. The end result was the development of voluntary best practices for trademark owners and Internet-related companies aimed at facilitating the protection of trademarks on the Internet. These best practices were presented to the INTA Board in May, 2009.

One important outcome of the best practices is that contact information for online service providers has been provided for use when notifying them of sales of counterfeits on the Internet – an important course of action for trademark owners attempting to take down or disrupt the sale of these illegal products. Yahoo!, eBay, Google, American Express, MasterCard, Visa, Discover and PayPal were among those who participated in and contributed contact information to the best practices.

Future Considerations

Addressing the sale of counterfeits online will continue to be challenging and complex. The Internet is unquestionably changing the way commerce and business is being conducted around the world. Continued technological advances and innovations mean that the Internet will evolve and allow sellers and buyers to interact in multiple ways in the virtual world. Furthermore, differences in business models and operations of Internet Service Providers (ISPs), search engines and other online players as well as trademark owners make it challenging to develop one solution to tackle the entire problem.

To be sure these voluntary measures will need to evolve in order to adapt to the changing virtual and technological environment. INTA will be looking for opportunities to promote adoption of the best practices and gain member feedback on their usefulness. INTA sees the best practices as a valuable first step towards bringing together the stakeholders - online marketplaces, shopping services, search sites, payment service providers and trademark owners – so that they can begin to effectively cooperate in the effort to combat the sale of counterfeits on the Internet.

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Best Practices for Voluntary Measures in Addressing the Sale of Counterfeits on the Internet

Best Practices for Search Sites

1. Applicable terms of service, content and other guidelines should expressly and clearly prohibit counterfeiting activities by advertisers and other users of search engine services; search engines should actively enforce these terms and guidelines.
2. Additional appropriately placed warnings and/or reminders should be considered.
3. Search engines should have a clear and effective process publicly available to deal with counterfeiting abuse. Such process shall specify, at a minimum, the information required to be reported by the trademark owner, which shall not be unduly burdensome; when, where and how such information is to be reported; and the process by which and time frame within which the search engine will act upon such reports. Search engines should furnish timely and effective responses to such reports that conform to their stated process requirements.
4. Trademark owners and search engines should work collaboratively in an open, consultative exchange to target counterfeiting abuse that may take place within a given search engine's services.
 - Examples of such targeting might include blocking or flagging for heightened review certain suspect terms that may be indicative of counterfeiting activity.
5. Determining the most appropriate technique(s) for targeting abuse may vary depending on the facts, bearing in mind that:
 - the trademark owner has greater insights into:
 - its own trademarks (particularly those which are not famous or well-known),
 - common abuses of its marks, products/services,
 - identifying counterfeit versions of its products, and
 - identifying recidivist counterfeiters of its brand.
 - the search engine has greater insights into:
 - the technological issues inherent in any attempt to accurately target and eliminate problematic categories of abuse, such as counterfeiting, including:
 - filtering and blocking can sweep too broadly and encompass legitimate results

- massive resources are needed to develop and stay current with such technology
 - the technological issues involved in correctly identifying a user of any online service, even when the search engine has a contractual relationship with that user
 - the enormous volume of users of any given search engine’s services, which makes timely and accurate manual – or even automatic - processing of ads, complaints, etc. extremely difficult
 - business resistance to resource-intensive “fixes” when such “fixes” have not been shown to have the effect of reducing or deterring abuse
 - identifying recidivist counterfeiters of multiple brands based on activities on the search engine’s website.
6. Search engines should take steps on an ongoing basis (through forums such as INTA) to educate trademark owners as to their policies and procedures for dealing with counterfeiting abuse.

Best Practices for Marketplace and Shopping Sites

1. Marketplace and shopping sites shall take steps to educate their users, and actively discourage infringing activity, in connection with listings available through the marketplace’s and shopping site’s services.
 - For example, users offering to sell items that a marketplace or shopping site, in its discretion, believes may infringe third party rights, should be reminded (through the use of targeted click-through notices and/or click-through authenticity attestations) that the services may only be used in a way that is consistent with applicable laws and terms of service.
2. Such messaging should also advise users as to the possible consequences for violating applicable policies or laws, which may include permanent loss of access to the service and reference to appropriate law enforcement officials.

Best Practices for Payment Service Providers (PSPs)

1. Payment Service Providers (PSPs) should have policies in place prohibiting the use of their services for the purchase and sale of goods that are determined to be counterfeit under applicable law.
2. PSPs should have procedures for trademark owners to report websites (in accordance with 1(a) through 1(f) below) that use a PSP’s network to process payments for the sale

of allegedly counterfeit goods. An example of an efficient reporting procedure includes, but is not limited to, a single email address or online reporting form through which trademark owners can submit allegations of counterfeit sales activity.

3. Upon receipt of at least 1(a) through 1(f) (set forth below) from the trademark owner, and after a reasonable period of time for review, PSPs may provide (or may request that others provide, as appropriate) reasonable feedback to the trademark owners with respect to its findings.
4. PSPs may reserve the right to allow the website owner/operator to respond to the allegations and/or cure the alleged violation prior to responding to the trademark owner or making a determination on appropriate remedies.
5. If a PSP observes repeated violations of the PSP's policies and applicable trademark laws through the use of its payment service, PSPs may choose to impose appropriate remedies in accordance with their own internal procedures, including, for example, termination of service.

Best Practices for Trademark Owners

Relating to Search, Online Marketplace, and Shopping Sites

1. Trademark owners should take steps on an ongoing basis to educate the public as to their trademarks.

Relating to PSPs

1. In working with PSPs on combating online sales of counterfeits, the trademark owners should provide the following information such as:
 - a. A detailed description of the transactions alleged to be illegal;
 - b. Information identifying the website where the alleged transactions occurred;
 - c. Evidence that the alleged counterfeit item was purchased using the PSP's services;
 - d. Proof of ownership of a registered trademark in one or more of the applicable jurisdictions;
 - e. A representation that the sale of the counterfeit goods at issue will cause damage to the trademark owner; and
 - f. A description of the trademark owner's good faith efforts to resolve the issue directly with the seller of the alleged counterfeit goods (or an explanation as to why such efforts have not been made).
2. The trademark owners should agree to indemnify and hold harmless the PSP (and, as applicable, other involved parties) against all liability for monetary damages, costs and attorneys' fees awarded to sellers of alleged counterfeit goods for unlawful termination of the PSP's services resulting from the trademark owner's complaint.

3. If trademark owners try to make a purchase using a PSP's services and are unable to do so notwithstanding the appearance of the PSP's trademark on the website, the trademark owners are encouraged to report that potential misuse of the PSP's trademark to the PSP.

CONTACT INFORMATION FOR COMPLAINTS TO PARTICIPATING PSPs*

American Express

trademarkabuse@aexp.com

MasterCard

abuse@mastercard.com

Visa

Inquiries@visa.com

Discover

RiskOperations@discover.com

PayPal

** This list is current as of August 3, 2009*

CONTACT INFORMATION FOR COMPLAINTS TO PARTICIPATING INTERNET PLAYERS

eBay, Inc.

copyright@ebay.com

Yahoo!, Inc.

Trademarkconcern-ysm@yahoo-inc.com

Google (http://services.google.com/inquiry/aw_counterfeit)