

Recommendations for Combating the Growth of Counterfeit Goods Sold in the United States

In the wake of the COVID19 pandemic and growth of online retail sites, the sale of counterfeit products has grown exponentially over the last few years. In a U.S. Department of Homeland Security (DHS) study, it estimated that seizures of counterfeit or infringing products had increased 10-fold between the years of 2000 and 2018 and has only continued to grow¹. With it comes lost revenue to legitimate businesses, increased risks to safety, reliability, and security, and a loss of consumer trust.

As highlighted in “Counterfeit Products sold on E-Commerce Platforms Pose a Growing Risk to Safety,” in addition to counterfeit products, marks meant to convey the safety of products are also being counterfeited². As a result, consumers are led to believe that a product is safe and meets U.S. regulations when the product may never have been tested, inspected, or certified.

To address this growing issue, the TIC Council recommends:

1. Continued Collaboration between the Public and Private Sector and Greater Information Sharing with Rights Holders.
2. Inclusion of Strong IP Protections and Enforcement Mechanisms in Trade Agreements.
3. Strengthened Penalties for Counterfeiters
4. Dedication of Resources for IP Enforcement and Education
5. Regulatory and Legislative Action to Ensure That Products Sold on E-Commerce Sites are not Counterfeit

The TIC Council and its members look forward to working closely with our stakeholder partners, government agencies, and others to seek common sense solutions to this important and growing issue.

Contact person: Karin Athanas, kathanas@tic-council.org, 240 762 8069

TIC Council is a global association representing over 90 international independent third-party testing, inspection, certification and verification organizations. Testing, Inspection and Certification (TIC) companies cater to a diverse range of industry sectors and a variety of standards and legislation. The industry represents an estimated one million employees across the world with annual sales of approximately USD 200 billion. For further information please see the Report on the TIC sector.

¹ Combating Trafficking in Counterfeit and Pirated Goods; Report to the President of the United States, January 24, 2020, Office of Strategy, Policy, & Plans, Homeland Security,

https://www.dhs.gov/sites/default/files/publications/20_0124_plcy_counterfeit-pirated-goods-report_01.pdf

² Counterfeit Products sold on E-Commerce Platforms Pose a Growing Risk to Safety, March 2020, TIC Council,

https://www.tic-council.org/application/files/8315/8316/0439/TIC_Council_Americas_-_Sale_of_Counterfeit_Products_on_ECommerce_Platforms.pdf

Appendix 1

Continued Public-Private Collaboration and Greater Information Sharing with Rights Holders

This complex problem requires intellectual property (IP) rights holders, law enforcement, online third-party marketplaces and e-commerce platforms, brick and mortar retailers, government, and others to work together to fight counterfeits and educate consumers about the dangers they pose. Robust information-sharing amongst all parties is critical to bring counterfeiters to justice and fully maximize the potential of public-private partnerships to address IP violations.

Greater collaboration and information sharing by US Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE) will increase mutual effectiveness in combating counterfeiting. The more information CBP and ICE can provide rights holders, the better. Timely provision of information, as allowed by law, gives rights holders the ability to more effectively target their investigations and legal enforcement of IP rights.

- *Provide unredacted images of suspected counterfeit marks* – TIC Members typically receive redacted photographs of suspected counterfeit Marks on seized goods and without inclusion of CBP case or inquiry reference numbers. It is more beneficial to receive unredacted images that provide greater visibility into the whole products, the overall product construction and retail/shipping packaging, and an associated CBP case or inquiry reference number. This allows for better evaluation and comparison against a TIC Member’s database to confirm authenticity.
- *Provide Fines, Penalties and Forfeiture (FP&F) letters in a timely fashion and include CBP case or inquiry reference numbers* – At times, it can take up to six months for a rights holder to receive FP&F letters. It would be beneficial if the FP&F letters were provided sooner and contained CBP case or inquiry reference numbers to allow for better correlation with the initial inquiries received by the rights holder. The use of emailed FP&F letter communications (versus postal service delivery) throughout the agency’s ports would enable a faster, consistent response and thereby enable investigation of the IP violations.

In addition to more robust information-sharing, consideration should be given to the benefit of joint enforcement operations undertaken between law enforcement agencies and rights holders. Joint projects have been undertaken in the past and these operations should be an ongoing priority for US enforcement agencies. In particular, these joint operations can be very effective when undertaken with source country agencies.

Strong IP Protections and Enforcement Mechanisms in Trade Agreements

Strong and effective protection and enforcement of intellectual property rights is critical to US economic growth and American jobs. Trade agreements—whether bilateral or multilateral—should build on the foundations established in existing

international IP agreements and establish strong protections for patents, trademarks, copyrights, and trade secrets. In any trade agreement, it is important to secure strong and fair enforcement rules to protect against trademark counterfeiting and copyright piracy, including rules allowing increased penalties in cases where counterfeit or pirated goods threaten consumer safety or health.

Tougher Penalties

Stronger penalties are critical to combat the trafficking of counterfeit and pirated goods. Counterfeiting has become much harder for brands and law enforcement authorities to fight as counterfeiters have realized there is less risk of being assessed hefty monetary penalties or being incarcerated for a lengthy sentence associated with trafficking in counterfeit goods versus illegal drugs. For penalties to be an effective deterrent, they must be strengthened and enforced. Specific recommendations include:

- increasing the use of penalties already available via 18 USC 2320;
- conducting outreach to and training for the judiciary to remind them of the existing authority they have to impose penalties on counterfeiters;
- strengthening civil penalties under 15 USC 1117 of the Lanham Act such as by increasing the minimum and maximum amount of statutory damages that may be imposed against counterfeiters, and imposing any more severe penalties against counterfeiters where there is an associated life safety risk;
- evaluating what CBP and ICE can already do on their own to identify if additional resources or authority is needed; and
- instructing the US Department of Justice (DOJ) to review 18 USC 3663A, *Mandatory Victims Restitution Act*, to determine necessary amendments that clearly account for all losses that victims of IP crimes should be covered. There currently is too much ambiguity in the language that has led to unfavorable court rulings on restitution for rights holders.

Dedicated Resources for Enforcement and Education

The US has enacted some of the strongest IP protections in the world, a critical need for rights holders. To ensure their enforcement, the Administration and Congress should:

- prioritize funding for agencies such as CBP and ICE to combat counterfeiting and close loopholes that allow counterfeit goods to flow across borders;
- seek expansion of the Bureau of Justice Assistance's IP Theft Enforcement Grant Program to additional jurisdictions – these grants are critical to support local and state law enforcement in their fight against counterfeiting; and
- provide agencies such as the US Consumer Product Safety Commission with the resources necessary to conduct their duties and educate consumers, manufacturers, importers, and other stakeholders about product safety issues, including the dangers posed by counterfeit goods.

Action to Ensure That Products Sold on E-Commerce Sites are not Counterfeit

Today most e-commerce platforms do not require online sellers to produce proof of the legitimacy of the goods posted online to mitigate the risk of counterfeit and infringement. For example, most of the goods bearing TIC Member Marks are posted on online third-party marketplaces by individual online sellers or entities, but the sellers are not required to prove that those goods are legitimate certified goods and from legitimate sources.

- Related to direct fulfillment/shipping of products, e-commerce platforms should adopt stronger language in their seller agreement forms that would advise notices of infringement could result in a seller's goods being quarantined and subject to forfeiture/destruction.
- Information related to seller, exporter, and amount of goods shipped directly to e-commerce warehouses/fulfillment centers should be provided to the reporting IP rights holder.