



# Counterfeit Products on Social Media

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TAKING ACTION AGAINST FAKES ON FACEBOOK, INSTAGRAM,  
AND OTHER SOCIAL MEDIA PLATFORMS

May 17, 2018

**The webinar will begin momentarily. Everyone will receive these slides and a recording of the webinar.**

# **A TECHNOLOGY DESIGNED TO PROTECT YOUR INTELLECTUAL PROPERTY**

**Cloud-based Smart Solution**

**Artificial Intelligence**

**Speed & Accuracy Matters**

**Business Intelligence Designed for Results**

**Automated Infringements Processing**



# UPCOMING WEBINARS

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MAY

24

## ***Navigating the Patent Monetization Landscape in China***

The Chinese intellectual property legal system has matured rapidly. Just 40 years ago China did not have a patent system, and today the country is aggressively using patent policy to create an innovation pathway to the future. From improvements in the scope of allowable patent subject matter to enhancements of litigation options, a strong desire by China to be seen as having a level playing field for all parties, China deserves a second look

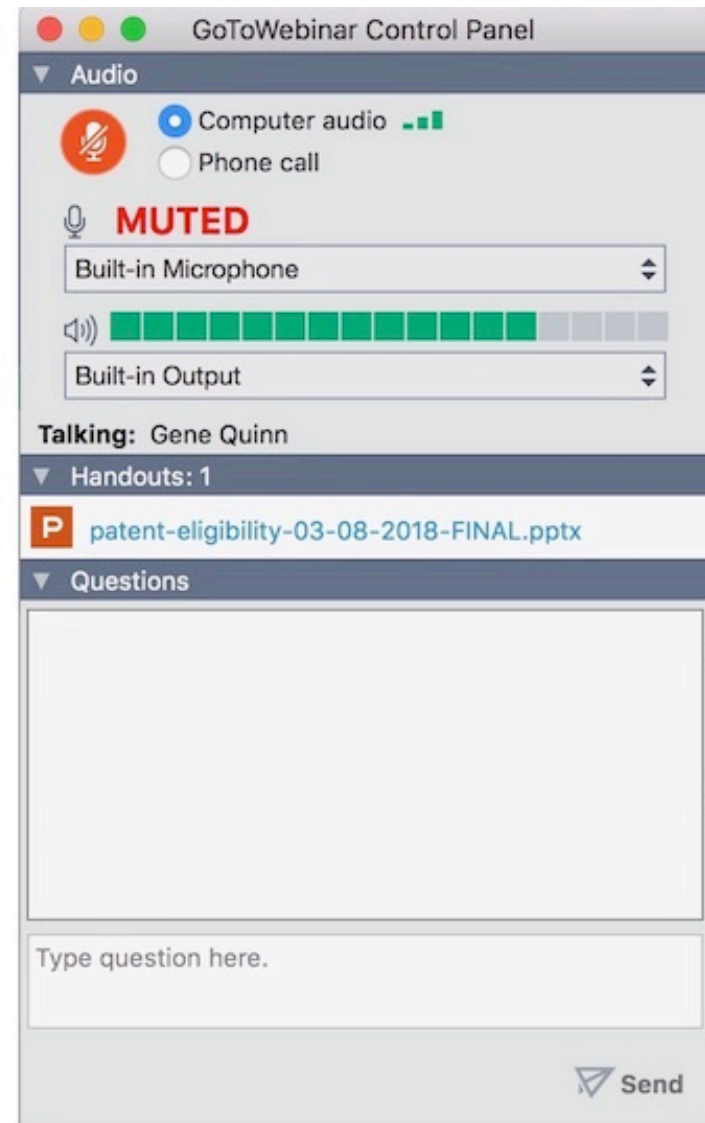
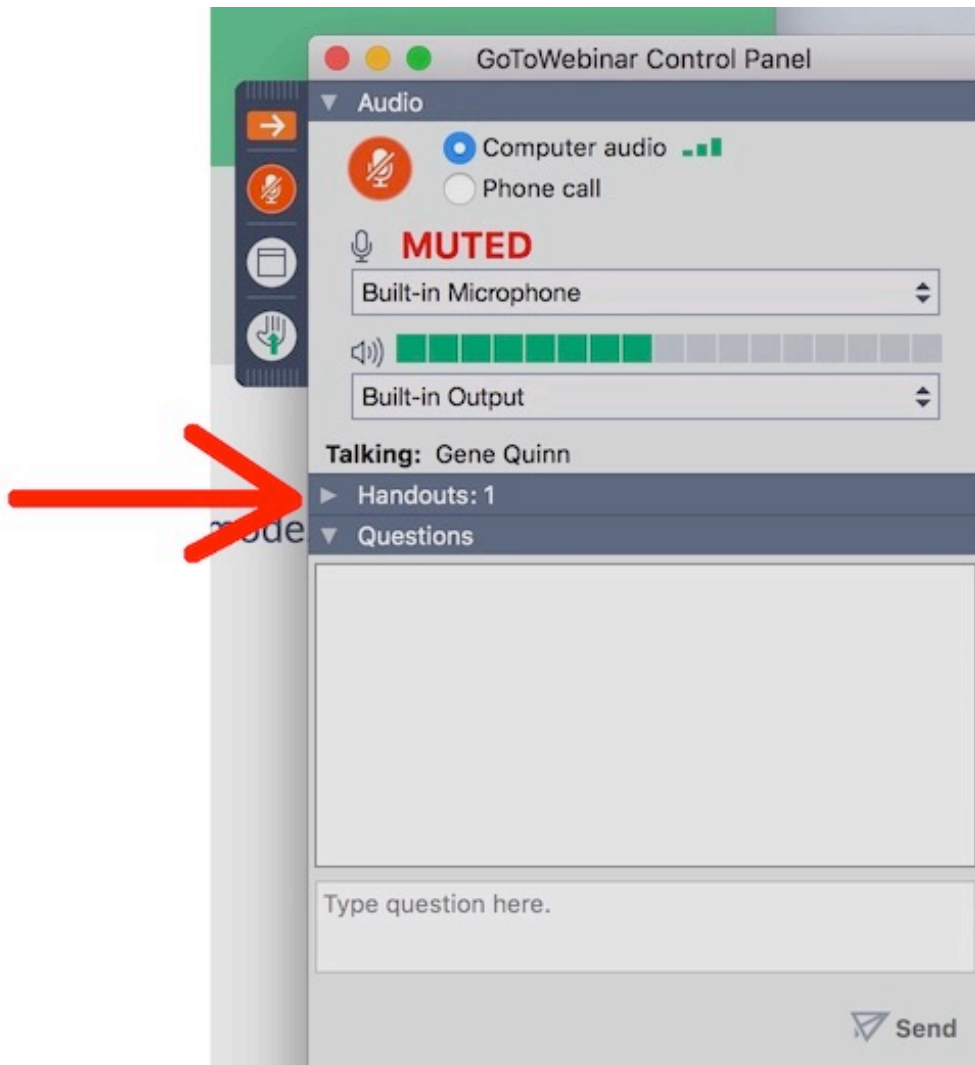
MAY

31

## ***Controlling Costs While Maximizing Protection***

The unfortunate reality is everyone has a budget. What is the right strategy C-level executives can get behind? And why? We will discuss how to prune a portfolio, streamlining costs, understanding and controlling the prosecution process and more. But what is the right strategy C-level executives can get behind? And why?

<http://www.ipwatchdog.com/ipwatchdog-webinars/>



# Speakers

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**Monica Riva Talley**  
Sterne Kessler



**Kasie Brill**  
Global Innovation Policy Center



**Gene Quinn**  
IPWatchdog

**Bruno Klumpp**  
Red Points

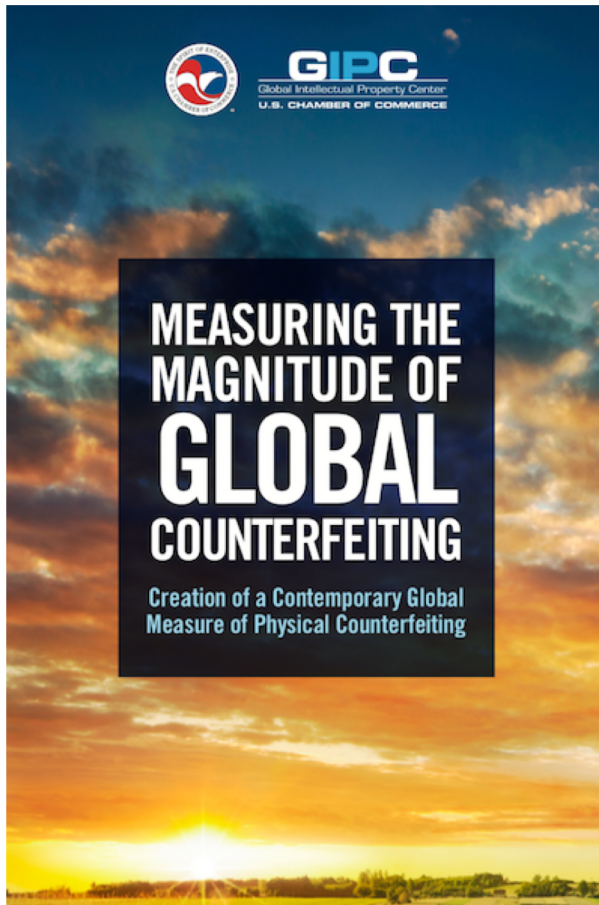
# The Problem

“The continuous growth of the global counterfeiting industry is a major cause for concern. Fueled by the proliferation of Internet use and social media platforms, the magnitude of global physical counterfeiting is estimated to have increased significantly since the beginning of this century.” *Measuring the Magnitude of Global Counterfeiting.*



# Counterfeiting 101

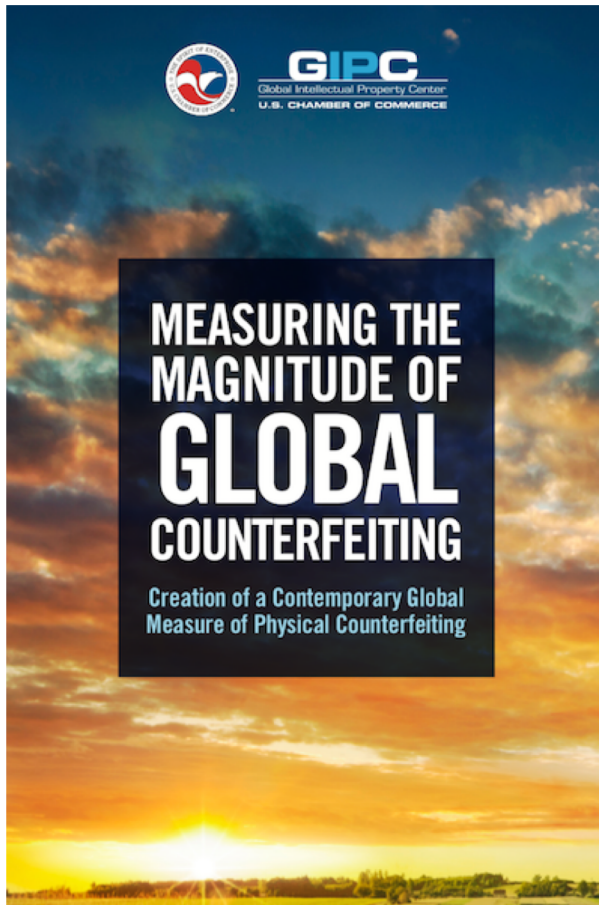
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*“If you want to be original, be ready to be copied.”*

**— COCO CHANEL**

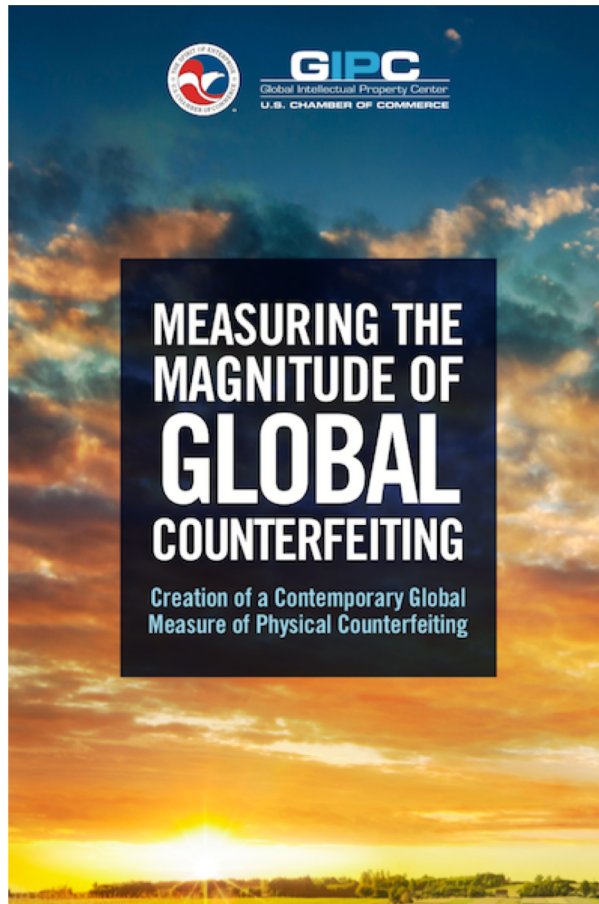
# Counterfeiting Today



“Counterfeiting today represents a tremendous and ever-increasing global threat. Counterfeit products— from goods and merchandise, tobacco products, and industrial parts to banknotes and medicines— circulate across the globe. These products cause real damage to consumers, industries, and economies. For example, counterfeit automotive parts are often of very poor quality and lead to failure, fake batteries and chargers may explode or catch fire, counterfeit clothes and alcohol contain excessive levels of dangerous chemicals, and fake toys may contain hazardous and prohibited chemicals. In addition, counterfeit medicines may be composed of dangerous or contaminated substances and sometimes do not even contain an active ingredient.”



# Economic Impact & Cost



## ***Economic Impact of IP***

- IP protections support more than 45 million Americans
- IP supports jobs in 81 different industries in every county in every state across the nation
- IP contributes more than \$6 trillion in GDP

## ***The Cost of Counterfeiting***

- More than \$461 billion a year imported fake goods worldwide
- Consumers make 53+ billion visits to illicit websites each year
- Up to 5% of goods imported into the EU are fakes. Most originate in middle income or emerging countries.
- According to the World Customs Organization, international sales of counterfeit goods represent between 5-7% of total world trade.

# GIPC Report – 38 Economies

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China alone is estimated to be the source for more than 86% of counterfeits. This translates to \$396.5 billion worth of counterfeit goods each year and equates to 1.5% of China's GDP and 12% of its exports.

Looking at 38 economies representing 85 percent of the world's economy, GIPC's findings reveal that the next largest share of counterfeiting economies after China and Hong Kong only make up *less than half a percent*.

The report also suggests that customs authorities are only seizing an extremely small fraction of the value of total estimated counterfeits - as little as 2.5 percent.

# Detection

“The rising number of detections indicate that counterfeiters have not merely left one channel for another, but instead are using multiple sales channels.”

*Counterfeit sports merchandise moves to social media.*



# Case Study

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Brand protection is an ever-changing game of cat and mouse between those who wish to sell fake items and those brand protection professionals who stop them. The sale of fake sports items is an issue that has plagued the industry for a long time, affecting **Football, NFL, Basketball and more recently Rugby.**

While the sale of these articles used to take place outside of stadiums or in market stalls, in recent years counterfeiters have modernized and moved their business online. Red Points works with some of Europe's largest football clubs to protect their fans and brands from online illicit activities. We have focused on football clubs for this study, as this is the sector for which we have the best data. However, **this problem affects nearly all sports teams.**

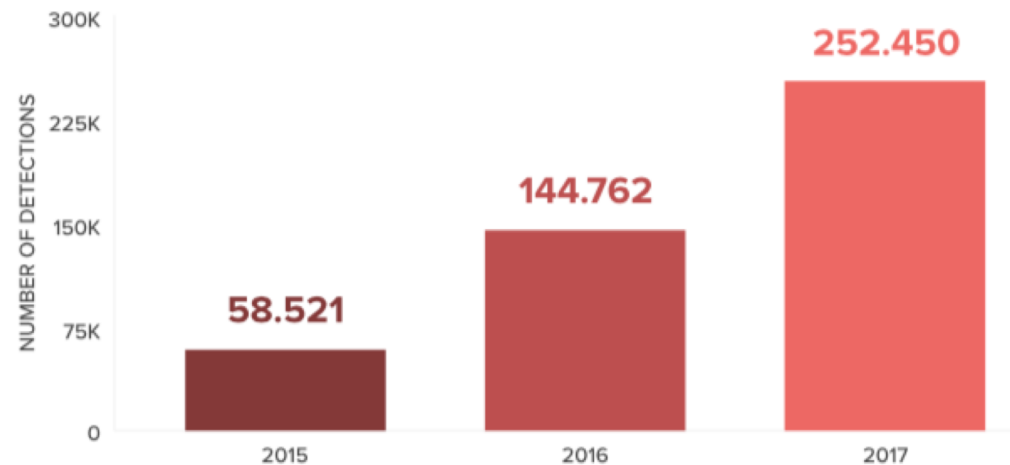
Initially, clubs were troubled by fake shirts and other items on large ecommerce sites and stand-alone websites. While these continue to be a problem, Red Points' brand protection analysts have documented a steady increase in the number of infringements and a change in the sales tactics employed by those selling fake football items.

# Detection Growth

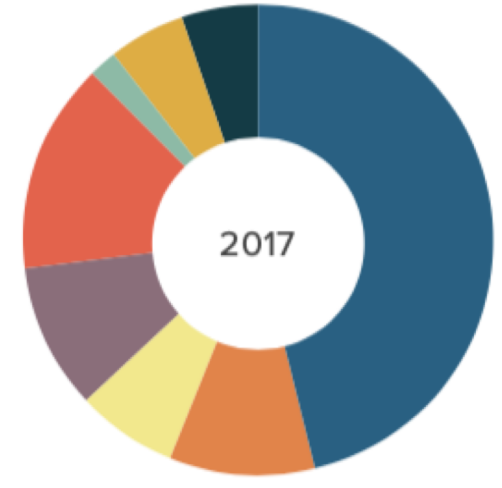
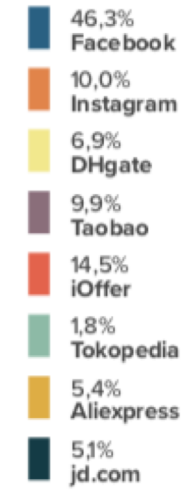
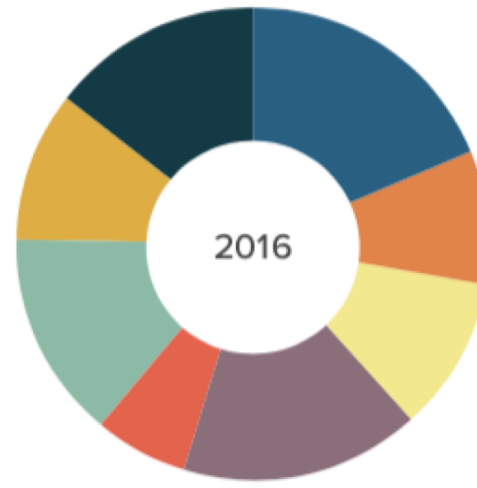
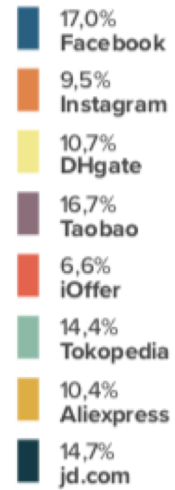
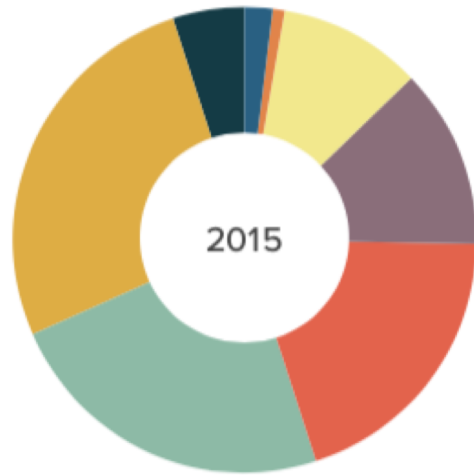
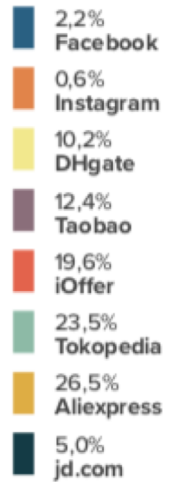
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The number of detections for the three clubs has increased year-on-year, more than doubling each year. These detections comprise of different kinds of intellectual property infringements, such as illegal use of photos, fake football jerseys and other branded products. There was an overall growth of every type of infringement.

This growth in total detections indicate that counterfeiters are not abandoning one site for another, but it implies that more counterfeiters are entering the market and/or diversifying their sales channels.



# Average Detection by Domain



# Case Study Conclusions

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The rising number of detections indicate that counterfeiters have not merely left one channel for another, but instead are using multiple sales channels.

**Better policing on ecommerce** – E-commerce sites have improved their policing systems. For example, Alibaba group has launched a number of initiatives in the past 2 years which have made it easier to remove illegal listings, once found. Thus, counterfeiters have found it necessary to diversify and use other means, while maintaining their existing activities on ecommerce sites.

**Improved customer targeting** – Counterfeiters are taking advantage of the effective targeting and segmenting tools available on social media. With these, they are able to identify consumers with much higher accuracy.

**Selling counterfeits has become more popular** – Facebook and Instagram adverts, groups or pages sell a relatively small amount of items compared to sellers on ecommerce sites. This could imply that selling counterfeits on social media is growing in popularity as more people begin small-scale ventures.

# From traditional marketplaces To Social Media



MARKET RESEARCH

## InstaScam

Cosmetics, counterfeits  
and social media

### Key findings

# 45%

45% of respondents  
have purchased  
cosmetics via  
social media

# 28%

28% people said  
they would buy  
lipstick via  
social media

### FACEBOOK & INSTAGRAM

Facebook and  
Instagram are  
the most popular  
social media  
platforms to buy  
cosmetics through

# 57%

57% of participants  
would buy an item  
from a 3rd party  
seller if the product  
was offered at a  
discount rate



# Solutions & Strategies

*"Don't bring a knife to a gunfight."*

*- Anonymous*



# Regional/Product Prioritization

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- Use the statistics to focus efforts on areas that will have the greatest impact; avoid scattershot approach.
- Is there a gap in IP protection that provides an opportunity for counterfeiters to exploit.
- Are the products coming from a region where the brand doesn't have a presence – counterfeiters don't always follow the business, sometimes they fill in the distribution gaps.
- Use the data to map out an internationally coordinated, intelligence-driven program that provides better results

# Determine How to Measure Success

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- Shutting down market or counterfeiter
- Cleaning up platform
- Increased sales/market share
- Improved SEO
- Number of products seized and destroyed
- Number of actions brought
- Dollars received
- Intangible: integrity of the brand, consumer confidence

# Tools

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- Online enforcement – via individual platforms, vendor options
- Brick and Mortar – demand letters, civil lawsuits
- Criminal Prosecution
- Consumer Education

# Q&A... and More Information

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Sterne Kessler

<http://www.sternekeessler.com/professionals/monica-riva-talley>



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