

The worrying growth of online counterfeiting

November is a peak shopping period given the concentration of holidays such as Halloween, Thanksgiving and Black Friday in many countries. As sales increase, there is also a greater risk of running into fake products, not only in physical shops, but also on line. Obviously, this is not only a problem for consumers, but also an enormous issue for manufacturers and retailers of genuine products who are forced to take steps to protect their business, and more specifically their websites and images from theft and bot attacks. But what are the legal measures available to fight this fast growing and dangerous phenomenon?

Before answering, it is useful to look at the current scenario as depicted in a recent joint study by the Organisation for Economic Co-operation and Development (OECD) and of the European Intellectual Property Office (EUIPO) “*Misuse of e-commerce for trade in counterfeits*” (see <https://euipo.europa.eu/ohimportal/en/web/observatory/misuse-e-commerce-trade-in-counterfeits>), which proves to be a useful tool in providing an overview of the problem.

The “Misuse of e-commerce for trade in counterfeits” study in a nutshell

The OECD-EUIPO study shows that e-commerce has become “*a key platform for consumers in developed countries to buy counterfeit goods*”. As a matter of fact, e-commerce is evermore replacing the physical locations intended for the display and sale of goods, and inevitably this also facilitates the sale of fake products.

As shown by the study, this process has been accelerated by the COVID-19 pandemic. As a matter of fact, while on-line retail sales in have risen by 41%, there has been a significant increase of fake products, particularly in some sectors that are connected to the pandemic, i.e., substandard medicines, test kits and other COVID-19 related goods. This information, in fact, goes hand in hand with a recent press release issued in April 2021 by the Italian Medicines Agency, indicating a substantial increase of reports concerning medicinal products purchased online from unauthorized channels that were found to be fakes or illegal.

However, from a general point of view, the majority of fake products commercialized via e-commerce outlets (constituting over 70% of seizures carried out at the EU borders) are related to:

- perfumery and cosmetics;
- pharmaceutical products;
- optical products.

The sectors of footwear and clothing are also heavily affected.

As to the countries of provenance of the counterfeits, not surprisingly, the study shows that China sits at the top list with more than 75% of seizures of counterfeit goods, followed by Hong Kong at 5.7%, Turkey (5.6%) and Singapore (3.3%). China is also the top country not only in quantitative terms, but also in terms of the value of the fake goods seized at the EU borders (68%).

According to the study, the preferred methods of shipping counterfeit products is in small parcels. Over 90% of the custom seizures concerning items purchased on line have been sent to the EU in small

parcels, particularly using the postal services. The use of small parcels reduce the risks associated with seizure activities.

The Italian legislation on online counterfeiting

At the European level, a range of measures have been adopted in order to fight the online sales of counterfeit products, including co-operation agreements between governments and stakeholders aimed at identifying counterfeits sold on line better and faster. These efforts have also led to the drafting of a *Memorandum of Understanding on the Sale of Counterfeit Goods on the Internet* by platforms and brand owners (as well as other stakeholders). As indicated in the study, *“The purpose of this voluntary agreement is to promote good practices in the fight against the sale of counterfeit goods over the Internet and to enhance collaboration between the signatories, focusing on cooperation rather than litigation to achieve results”*. In the future, legislation and directives are also expected that *“(…) if adopted, would establish new frameworks for combatting e-commerce crime, including trade in illicit goods”*.

These measures will help to create a virtual commercial environment that is unfavourable to the proliferation of counterfeiting activities, which is currently flourishing on the internet. However, for the time being, what measures are currently available to intellectual property right holders to combat counterfeiting?

Right holders can, and should, actively collaborate with Custom Agencies to enable them to detect counterfeit products, by providing information regarding the IP rights that they own, as well as details of the alleged counterfeit products together with a description of the legitimate distribution channel and network. In this regard, the Italian Customs Agency has developed a software called “F.A.L.S.T.A.F.F.” (i.e., Fully Automated Logical System Against Forgery and Fraud) which is the only operational and legal instrument in the country officially recognized by the European Union to protect legitimate trade).

At national level, the Italian legal system does not provide specific rules to fight against counterfeiting on the internet. It follows that the general rules applied in the physical world are the same as those to be invoked in the virtual word.

Of course, at a preliminary stage, the IP owner can adopt practical investigative measures, such as checking the content of the websites involved in the illegal activities, as well as searching for information about the website’s proprietor. Contacting the infringer may also be a good strategy aimed at obtaining evidence of bad faith, which can be very decisive in a subsequent litigation phase (when possible, preceded by the sending of cease-and-desist letter).

In addition to the measures provided by the IP code to enforce IP rights, the Italian Competition Authority is also empowered to shut down clone websites selling counterfeit products, and when domain names are involved, arbitration proceedings under the Uniform Domain Name Dispute Resolution Policy are also available (however, a specific alternative dispute resolution system set up by the Italian Registry is available for disputes related to domain names registered under the country code “.it”).

Conclusions

The OECD-EUIPO study highlights how the growth of the counterfeiting activities leverages the e-commerce framework. IP owners should remain vigilant and adopt all the measures available to fight on line infringement, such as those put at their disposal by the Italian Customs Agency, and others.