Joseph M. Forgione

Counterfeiting, Couture, and the Decline of Consumer Trust in Online Marketplace Platforms


ABOUT THE AUTHOR: Joseph M. Forgione, Esq. is Associate Director of the Innovation Center for Law and Technology, Director of the Fashion Law Initiative, and Adjunct Professor of Law at New York Law School. He is also a practicing attorney at the Gioconda Law Group PLLC, where he focuses his practice on trademark and copyright counseling in the fashion industry. Professor Forgione holds both an LL.M. degree in Intellectual Property Law and a J.D. degree from Benjamin N. Cardozo School of Law, and a B.A. cum laude in Sociology from Hofstra University.
COUNTERFEITING, COUTURE, AND THE DECLINE OF CONSUMER TRUST

I. INTRODUCTION

This article explores how the increase of counterfeit goods available across popular online marketplace platforms has created a unique opportunity for brand owners to persuade their customers to return to legitimate online sources that sell authentic goods. The flood of counterfeit goods on online marketplace platforms is overwhelming, and it has become exceedingly difficult for consumers seeking authentic goods to acquire them through these avenues with any degree of confidence.1 Further, these platforms have no real incentive to regulate the conduct of sellers offering counterfeit goods, especially since there exists a great opportunity for them to profit off the sales.2 Because consumers can no longer rely on online marketplace platforms to provide them with authentic goods, they have no other viable alternative than to obtain these goods through a brand’s website or its authorized online retailers.

Part II of this article explores counterfeiting and how it has evolved as a business through the years. Part III traces the evolution of the core legal protections that brand owners use to prevent their goods from being counterfeited. Part IV reviews the problem of counterfeiting on online marketplace platforms and its impact on consumers of authentic goods. Part V concludes the discussion.

II. WHAT IS COUNTERFEITING?

Counterfeiting is a profitable business of tremendous global impact, spanning across a number of industries, including apparel and accessories, music, electronics, software, consumer goods, toys, medications, mechanical parts, and cigarettes.3 The estimated value of global trade in counterfeit and pirated goods in 2013 was $461 billion.4 In fiscal year 2016, U.S. Customs and Border Protection and U.S. Immigration and Customs Enforcement’s Homeland Security Investigations (“Customs”) conducted

1. See NetNames, Counting the Cost of Counterfeiting 4 (2015) (“In an environment where counterfeiting is as profitable as illegal drugs, . . . we are seeing explosive growth. Expanding by over 15% every year, counterfeiting now costs more than 2% of total global economic output, or around $1.8 trillion per year. There is little doubt as to the crucial role played by the digital world in this meteoric rise, with a 15% increase in sales of counterfeit goods online last year.”); id. at 9.

2. See Keith Anderson, The Struggle Is Real for Brands Competing with Amazon’s 3P Sellers, Profitero: Blog (Apr. 18, 2016), https://www.profitero.com/2016/04/the-struggle-is-real-for-brands-competing-with-amazons-3p-sellers (“Amazon’s 3P [third-party] seller marketplace has been on a tear since the first quarter of 2014, increasing from 39% of paid units in 4Q13 to 47% in 4Q15.”); id. (stating that this enhances price competition, selection, and profitability in particular, as “[i]t’s not uncommon for Amazon to make more when a 3P Seller wins the Buy Box than when it wins itself”); Michael Sacca, Amazon’s Counterfeit Goods Problem and How It Could Affect Their Brand Equity, Brandisty: Blog, http://blog.brandisty.com/brand-management-blog/amazon-s-counterfeit-goods-problem (last visited Feb. 6, 2017) (“Amazon has little incentive to regulate this marketplace. For 3P sales Amazon only reports fees paid by vendors to Amazon and not the cost of goods sold, thus offering gross margins of 90 to 100% while its traditional retail business has gross margins of about 20%. On paper, this looks excellent to investors.”).


31,560 seizures of illicit imports that involved counterfeit and pirated goods, a 34% increase from just two years prior. This resulted in 451 arrests, 304 indictments, and 272 convictions. As of 2016, apparel and accessories accounted for 20% of total seizures conducted by Customs. Seizures of watches and jewelry accounted for the highest percentage in value, had these goods been genuine. The primary trading partners involved in these 2016 seizures were China, with 45% of the total value, and Hong Kong, with 43% of the total value.

Counterfeiters routinely misappropriate the valuable trademarks of countless brands to secure their profits, depriving trademark owners of the revenue to which they are entitled and diminishing the goodwill associated with a brand. Counterfeit versions of authentic goods also frequently present marked health and safety consequences for consumers who purchase them. The scope of counterfeiting has grown so much that profits support not only the activities of the infringers, but also those involved in organized crime, drug trafficking, and terrorist groups.

Developments in technology have further enhanced the problem of counterfeiting, making it easier for counterfeiters to sell illicit goods and more challenging for


7. Id. at 8 (accounting for 6,406 of the 31,560 total seizures conducted by Customs).

8. Id. at 10. Watches and jewelry accounted for 47% of the value of goods seized by Customs in 2016, a value of $653,590,442 had they been genuine. Id. This number increased from 43% of the total value in 2015. Id.

9. Id. at 12.

10. Trademark, Black’s Law Dictionary (10th ed. 2014) (“A word, phrase, logo, or other sensory symbol used by a manufacturer or seller to distinguish its products or services from those of others. The main purpose of a trademark is to designate the source of goods or services. In effect, the trademark is the commercial substitute for one’s signature. To receive federal protection, a trademark must be (1) distinctive rather than merely descriptive or generic; (2) affixed to a product that is actually sold in the marketplace; and (3) registered with the U.S. Patent and Trademark Office. In its broadest sense, the term trademark includes a servicemark. Unregistered trademarks are protected under common-law only, and distinguished with the mark ‘TM.’”).

11. Goodwill, Black’s Law Dictionary (10th ed. 2014) (“A business’s reputation, patronage, and other intangible assets that are considered when appraising the business, especially for purchase; the ability to earn income in excess of the income that would be expected from the business viewed as a mere collection of assets. Because an established business’s trademark or servicemark is a symbol of goodwill, trademark infringement is a form of theft of goodwill. By the same token, when a trademark is assigned, the goodwill that it carries is also assigned.”).


consumers to purchase authentic goods on the Internet.\textsuperscript{15} Counterfeiters can now easily remain anonymous by using false identities in connection with websites, and can transfer their operation from one domain name to the next, as soon as one website selling counterfeits is shut down. Moreover, even when a trademark owner is able to identify and obtain a judgment against an actual person, counterfeiters often hide their assets, either in banks outside the United States or in international banks with a presence in the United States that resist complying with U.S. court process, making collection efforts difficult.\textsuperscript{16}

In recent years, the problem of counterfeiting has expanded on the Internet to include the sale and distribution of counterfeit goods on online marketplace platforms such as auction websites (eBay, for example), online trade boards (Alibaba, for example), and shopping websites (Amazon, for example).\textsuperscript{17} Traditionally, these platforms were intended to provide legitimate forums for businesses and consumers to promote and purchase goods, sometimes at a significantly higher volume than traditional retail forums.\textsuperscript{18} However, these platforms provide new avenues for counterfeiters to sell massive amounts of counterfeit goods while appealing to a broader customer base across the globe. Counterfeiters are now so deeply entrenched in auction websites, shopping websites, and online trade boards that these websites are no longer reliable avenues for consumers seeking to purchase authentic goods.

\section*{III. COUNTERFEITING AND THE LAW}

Trademark counterfeiting is defined as the act of manufacturing or distributing a product or service bearing a mark that is identical to or substantially indistinguishable from a registered trademark.\textsuperscript{19} A number of civil and criminal federal and state laws currently provide brand owners with the necessary tools to combat counterfeiting.\textsuperscript{20}

\textsuperscript{15} NetNames, supra note 1, at 9, 29–31. The Internet provides opportunities for many to increase sales by creating or hijacking domain names, posting product listings on websites, sending information on social media, and utilizing mobile apps. Id. Further, 3D printing is projected to contribute an additional $100 billion in IP losses by 2018. Id. at 31.


\textsuperscript{18} See Andy Geldman, Amazon Seller’s Survey 2016: The Results, WebRetailer (Jan. 12, 2016), http://www.webretailer.com/lean-commerce/amazon-sellers-survey-2016 (discussing various sellers’ annual revenue derived from sales on online forums, such as Amazon, eBay, Sears, and Etsy where, for example, 36% of sellers who sold on Amazon earned $100,000 to $1 million, and another 13% earned between $1 and $10 million); Laura Stevens, Survey Shows Rapid Growth in Online Shopping, Wall Street J. (June 8, 2016, 12:03 AM), http://www.wsj.com/articles/survey-shows-rapid-growth-in-online-shopping-1465358582 (discussing the significance of online consumption, evidenced by survey results in which shoppers made 51% of their purchases on the Internet compared to just 20% made in traditional stores).


\textsuperscript{20} New York state law criminalizes trademark counterfeiting. Section 165.71 of the New York Penal Law provides that third-degree trademark counterfeiting—a class A misdemeanor—can occur “when, with the intent to deceive or defraud some other person or with the intent to evade a lawful restriction on the
The Lanham Act is the authoritative federal statute that addresses civil trademark counterfeiting. Section 32 of the Lanham Act is one of the primary legal provisions that brand owners rely on when seeking to define infringing conduct, and is particularly relevant when pursuing a civil action against counterfeitors and infringers that misappropriate their marks. The Lanham Act provides brand owners with additional tools to seek remedies against counterfeitors in the civil context, including actual or statutory damages; preliminary or permanent injunctions or both; the seizure and destruction of counterfeit goods; reimbursement of litigation costs; and in some circumstances, reimbursement of attorney’s fees. Ex parte seizure orders against counterfeitors are remarkable remedies, as they allow federal courts to order the seizure of counterfeit goods through a proceeding initiated by a brand owner without any prior notice being issued to the adversary.

In 1984, violations of the Lanham Act were criminalized to provide more discrete penalties against trademark counterfeiting. Congress passed the Trademark Counterfeiting Act, which punishes anyone who intentionally “traffic[s] in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services.” Under this act, counterfeiting is punishable by up to ten years in prison and a $2 million fine for an individual and up to $5 million for an entity. If found to have knowingly or recklessly caused serious bodily injury by counterfeiting, an individual could be sentenced to up to twenty years in prison and fined $5 million; an entity could be fined as much as $15 million. If found to have knowingly or recklessly caused death by counterfeiting, an individual could be punished with life in prison and fined up to $5 million; an entity could be fined up to $15 million. These penalties are important because they provide substantial consequences for those individuals and entities engaging in the business of counterfeiting.

sale . . . or distribution of goods, [a person] manufactures, distributes, sells, or offers for sale goods which bear a counterfeit trademark.” N.Y. Penal Law § 165.71 (McKinney 2017). The same conduct is punishable as a class E felony when the retail value of goods bearing counterfeit trademarks exceeds $1,000, id. § 165.72 (second-degree trademark counterfeiting), and as a class C felony when the value of such goods exceeds $100,000, id. § 165.73 (first-degree trademark counterfeiting). For an overview of federal protections against counterfeiting, see infra text accompanying notes 21–42.

22. Id. § 1114.
23. Id. §§ 1114, 1116–1118.
24. Id. § 1116(d).
26. Id.
28. Id. § 2320(b)(1)(A).
29. Id. § 2320(b)(2)(A).
30. Id. § 2320(b)(2)(B).
A number of other important federal statutes are often used to prosecute counterfeiters. For example, criminal penalties for those who engage in copyright infringement reflect changes in technology that have made it easier for infringers and counterfeiters to reproduce and disseminate copyrighted works on the Internet.\(^{31}\) Also, counterfeiters who attempt to smuggle infringing goods into the United States\(^ {32}\) and enter them into commerce\(^ {33}\) are subject to significant penalties.\(^ {34}\)

Further, the Anticounterfeiting Consumer Protection Act of 1996,\(^ {35}\) which amended the Racketeer Influenced and Corrupt Organizations Act, provides protections against criminal infringement of a copyright, trafficking in goods or services bearing counterfeit marks, and trafficking in counterfeit labels for phonorecords, computer programs, computer program documentation, or packaging and copies of motion pictures or other audiovisual works.\(^ {36}\) This act defines conduct related to counterfeiting as a “racketeering activity.”\(^ {37}\)

In the past decade, additional legal protections have been introduced to provide brand owners with more powerful tools to combat the problem of counterfeiting. The Stop Counterfeiting in Manufactured Goods Act\(^ {38}\) established prison terms of up to twenty years and fines up to $15 million, along with mandatory forfeiture, destruction, and restitution provisions for the trafficking and sale of counterfeit goods.\(^ {39}\) The legislation also established restrictions on the shipment of falsified labels or packaging.\(^ {40}\) Further, the Prioritizing Resources and Organization for Intellectual Property Act of 2008 increased both civil and criminal penalties for trademark, patent, and copyright infringement.\(^ {41}\) It also established a new executive branch office, the Office of the United States Intellectual Property Enforcement Coordinator, which is tasked with coordinating national and international intellectual property enforcement measures.\(^ {42}\)

### IV. THE PROBLEM OF COUNTERFEITING ON ONLINE MARKETPLACE PLATFORMS

The laws referenced in the previous section serve as the core protections that brand owners use to prevent their goods from being counterfeited. The problem of
counterfeiting, however, has continued to expand and brand owners are faced with adapting these laws to innovations in technology that help facilitate the illegal conduct of counterfeitors.

In recent years, online marketplace platforms like auction websites, online trade boards, and shopping websites have become some of the most popular avenues for counterfeiters to use to offer and sell counterfeit goods on the Internet. The sheer volume of counterfeit products being offered on these platforms—along with the difficulties that brand owners continue to experience in monitoring them—has created an environment where consumers of authentic goods are not adequately protected from fraud. Counterfeiting is a profitable enterprise that provides income to these platforms largely through transaction fees, so there is no real incentive for site administrators to regulate infringing listings. The sale of counterfeit goods has contaminated the business models of these platforms, and these platforms can no longer be considered reliable avenues through which consumers may confidently purchase authentic goods.

Through the years, a limited number of lawsuits have been filed against online marketplace platforms to protect the interests of brand owners and consumers against counterfeiting. For example, in *Tiffany (NJ) Inc. v. eBay, Inc.*, Tiffany & Co. (“Tiffany”) brought an action against the auction website eBay, on which alleged counterfeit goods were being sold. Tiffany entered claims of direct and contributory trademark infringement, trademark dilution, and false advertising against eBay for facilitating and allowing counterfeit goods to be sold on its auction website.

---

43. *NetNames*, supra note 1, at 9, 26. The *Counting the Cost of Counterfeiting* report asserts that Taobao handled 87 million IP-infringing product listings in 2012 alone. *Id.* at 9. It goes on to note that enforcement is particularly difficult because “[a]uction sites and online marketplaces . . . offer counterfeiters an easy route to sell their goods online in vast numbers, with almost complete anonymity.” *Id.* at 33.

44. 576 F. Supp. 2d 463 (S.D.N.Y. 2008), aff’d in part, rev’d in part, 600 F.3d 93 (2d Cir. 2010).

45. Direct trademark infringement maintains a two-pronged test that “asks first whether the plaintiff’s mark is valid and entitled to protection, and second whether the defendant’s use of the mark is likely to cause [consumers’] confusion as to the origin [or sponsorship] of the [defendant’s] goods.” *Id.* at 495. In contrast, contributory trademark infringement looks first to whether a defendant “intentionally induces another to infringe a trademark, or if [the defendant] continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement.” *Id.* at 502 (quoting *Inwood Labs.*, Inc. v. *Ives Labs.*, Inc., 456 U.S. 844, 854 (1982)).

46. Dilution by blurring is an “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.” *Id.* at 524 (quoting 15 U.S.C. § 1125(c)(2)(B)). In contrast, dilution by tarnishment is an “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.” *Id.* (quoting 15 U.S.C. § 1125(c)(2)(C)).

47. False advertising claims asserted in violation of federal law fall under section 43(a) of the Lanham Act. *Id.* at 519–20. Section 43(a) prohibits any person, “in commercial advertising or promotion, [from] misrepresent[ing] the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities.” *Id.* at 520 n.42 (quoting 15 U.S.C. § 1125(a)(1)(B)).

48. *Id.* at 469.
The court decided in favor of eBay on all three claims, and Tiffany appealed. On appeal, the court held that eBay’s use of Tiffany’s trademark on its auction website and in sponsored links did not constitute direct trademark infringement. Further, the court found that eBay’s general knowledge of infringement of Tiffany’s trademark on its auction website was not sufficient to impose an affirmative duty on eBay to resolve the issue. In essence, the court held that eBay could not be held vicariously liable for trademark infringement solely on the basis of generalized knowledge that infringement was occurring from sales made through the auction website. Therefore, eBay was not liable for contributory trademark infringement in facilitating its vendors’ infringing conduct. The court entered a judgment in favor of eBay with respect to claims of trademark infringement and dilution, and remanded to the district court on the false advertising claim.

On remand, the district court found that eBay was not liable for false advertising. The court held that Tiffany could not establish that consumers were being misled by eBay’s advertisements. Tiffany did not appeal this ruling.

Until the Tiffany decision, there was no clear allocation of responsibility to a party to monitor unauthorized trademark uses on auction websites. The decision established an important standard that placed this burden to monitor on the brand owner or its authorized representative (outside counsel or a private investigator, for example) and not on the auction website itself. As a result of this decision, auction websites like eBay will continue to have counterfeit goods available for purchase on their platforms, and consumers will remain unsure whether the goods they are purchasing will be authentic.

Despite Tiffany, courts outside the United States have arrived at different conclusions about the liability of auction websites selling and distributing counterfeit goods. In three separate cases brought by the luxury group Louis Vuitton Moët

49. Id. at 527.
50. Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93 (2d Cir. 2010).
51. Id. at 103.
52. Id. at 107.
53. Id.
54. Id. at 108.
55. Id. at 114.
57. Id. at *2–3.
58. Trademarks are protected in the European Union (EU) by individual member state regulation and by EU directive. Annette Kur, Convergence After All? A Comparative View on the U.S. and EU Trademark Systems in the Light of the “Trade Mark Study,” 19 J. Intell. Prop. L. 305, 307–08 (2012). Through the Trade Mark Directive and the Community Trade Mark Regulation, a “community trademark” may be registered and subsequently enforced throughout the EU by one registration. Id. at 307–08. Unlike the United States, which utilizes a “use” standard, the EU recognizes a trademark upon registration. Id. at 310; see also 4 European Union Law Guide §§ 23:1–23:19, Westlaw (Philip Rawroth ed., database
Hennessey (LVMH), a French court found that eBay was liable for failing to police its marketplace for counterfeits and for taking part in promoting infringing goods outside approved distribution networks. Consequently, the Commercial Court of Paris ordered eBay to pay €38.6 million (approximately $60.8 million) to LVMH for permitting the sale of counterfeit goods on its auction website. The court also granted LVMH an injunction that required eBay to stop selling counterfeit LVMH products and to cease all sales of genuine LVMH perfumes and cosmetics on the ground that eBay was not part of the approved distribution channel through which companies manufacturing products can restrict the sale of their products to approved distributors only. Subsequently, eBay requested that the French Court of Appeal stay the injunction while it appealed the rest of the ruling, but the stay was denied.

The LVMH cases, though factually similar to the Tiffany decision, concluded differently and ultimately placed the burden to monitor unauthorized uses of a trademark on an auction website instead of a brand owner. Tiffany held that generalized knowledge of counterfeit merchandise offered and sold on an auction site was insufficient to hold eBay liable, and that specific knowledge on behalf of eBay was required. In contrast, SA Louis Vuitton Malletier v. eBay Inc. found that eBay should have known that items being sold were counterfeit, and should have removed the listings on the basis of the prices asked and quantities offered. In an international context, the differences between these two cases illustrate the inherent tension that exists between unauthorized uses of a trademark and the party that is responsible to remedy those unauthorized uses through enforcement activities on auction websites.

While the Tiffany decision explored which party is responsible for monitoring unauthorized uses of a trademark on auction websites, Gucci America, Inc. v. Alibaba updated Nov. 2016) (providing an overview on the harmonization of trademark law in the EU); Casey L. Tripoli, Note, Fashion Forward: The Need for a Proactive Approach to the Counterfeit Epidemic, 41 Brook. J. Int’l L. 875, 897–904 (2016) (discussing the legal framework for trademark protection and enforcement in the EU).


60. See cases cited supra note 59; see also Doreen Carvajal, EBay Ordered to Pay $61 Million in Sale of Counterfeit Goods, N.Y. Times (July 1, 2008), http://www.nytimes.com/2008/07/01/technology/01ebay.html.


63. See cases cited supra note 59.

64. Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 107 (2d Cir. 2010).


66. See also L’Oreal SA v. eBay Int’l AG [2009] EWCH (Ch) 1094 (Eng.).
COUNTERFEITING, COUTURE, AND THE DECLINE OF CONSUMER TRUST

Group Holding Ltd. focused on online trade portals. Kering S.A. (“Kering”), Gucci’s holding company, brought an action against Alibaba Group Holding Limited (“Alibaba”), the publicly traded Hangzhou-based group of e-commerce businesses, to clarify which party is responsible for monitoring unauthorized uses of a trademark on online trade board portals. Kering alleged that Alibaba “encouraged, assisted, and profited” from the widespread sale of counterfeit goods on its online trade board portals.

Kering alleged that Alibaba conspired to manufacture, offer for sale, and traffic in counterfeit products that infringed on a number of protectable trademarks, including the famous brands Balenciaga, Bottega Veneta, Gucci, and Yves Saint Laurent. Kering stated:

The Alibaba Defendants facilitate and encourage the sale of an enormous number of Counterfeit Products through their self-described “ecosystem,” which provides manufacturers, sellers, and buyers of counterfeit goods with a marketplace for such goods, and provides online marketing, credit card processing, financing, and shipping services that effectuate the sale of the Counterfeit Products.

Kering brought this action seeking injunctive relief preventing Alibaba or its associates from manufacturing, distributing, marketing, or selling infringing items, as well as disgorgement of profits, and statutory and punitive damages.

Alibaba is the controversial subject of a 2015 Chinese government report issued by the State Administration for Industry and Commerce (SAIC) that analyzed the “long-term illegal transaction problems of the entry, sales, management and other aspects on Alibaba’s online trade platform.” Among other allegations, this report accused Alibaba of insufficient monitoring and regulation of illegal activities, fraud, and illegal advertising and promotional activities, as well as allowing merchants to illegally infringe trademarks, sell counterfeit merchandise, make unauthorized use of

70. Complaint, supra note 67, at 1–2.
71. Id. at 3.
72. Id. at 137–41.
others’ business names, and falsify transaction history and evaluations. This report has since been removed from the SAIC website.

Further, the Office of the U.S. Trade Representative (USTR) publishes a Notorious Markets List that features “select online and physical marketplaces that reportedly engage in and facilitate substantial copyright piracy and trademark counterfeiting.” In 2015, the USTR wrote in its report that it was “increasingly concerned by rights holders’ reports that Alibaba Group’s enforcement program is too slow, difficult to use, and lacks transparency.” Though the USTR has listed Alibaba on its Notorious Markets List in past years, it did not list Alibaba for 2015, and instead “encourage[d] the company to enhance cooperation with all stakeholders to address ongoing complaints.” The USTR also stated:

Given the size and the scale of Alibaba’s platforms, stronger and more efficient systems for addressing right holders’ concerns should be undertaken without delay. Such steps should include (1) simplifying Taobao’s processes for rights holders to register and request enforcement action, (2) making Taobao’s good faith takedown procedures generally available, and (3) reducing Taobao’s timelines for takedowns and issuing penalties for counterfeit sellers.

Taobao, one of Alibaba’s most popular and profitable trade board portals, was also recently at the center of an action brought by Louis Vuitton in Beijing’s Haidian District Court against three Taobao sellers seeking damages in connection with the sale and distribution of counterfeit goods.

Online trade boards, like Alibaba, pose vast counterfeiting problems that make it impossible for consumers to have confidence that they can purchase authentic goods. Thus, the only viable alternative is to return to the source and purchase a brand’s goods through a company’s website or its authorized online retailers.

Counterfeiting has even extended well beyond notorious platforms like eBay and Alibaba to disrupt the business models of more legitimate shopping websites like Amazon and Etsy.com. Traditionally, Amazon has been regarded as one of the more trustworthy online marketplaces for customers to confidently transact business,

74. See id.
75. Id.
77. Id. at 8.
78. Id.
79. Id.
COUNTERFEITING, COUTURE, AND THE DECLINE OF CONSUMER TRUST

enforcing a strong anti-counterfeiting policy against infringers of branded goods. Amazon assures customers that they can trust in safely doing business with the company and that “[t]he sale of counterfeit products, including any products that have been illegally replicated, reproduced, or manufactured, is strictly prohibited.” Amazon also states that if a seller is found to be offering counterfeit goods, the company “may immediately suspend or terminate . . . selling privileges and destroy inventory in [its] fulfillment centers without reimbursement.”

However, Amazon—likely in competitive response to the overwhelming influence and profitability of Alibaba in the online marketplace—has recently begun allowing sales from Chinese manufacturers who, until recently, had to transact through “middlemen, brands and private labels to reach global consumers.” With close to half of Amazon’s unit sales now flowing through its third-party marketplace, “[s]ales from Chinese-based sellers more than doubled in 2015 . . . , while the company’s total revenue increased 20 percent.” Amazon also provides ocean freight services, “simplifying the process for Chinese companies to ship goods directly to Amazon fulfillment centers, cutting out costs and inefficiencies,” making it easier to transport and sell counterfeit goods through its website.

In response to the abundance of counterfeit goods now available on Amazon, the German footwear company Birkenstock has stated that it will no longer allow its products—or any sales of its products by third-party sellers—to be sold on the website.

David Kahan, CEO of Birkenstock Americas, stated in a company letter sent to the company’s retail partners that

[t]he Amazon marketplace, which operates as an “open market,” creates an environment where we experience unacceptable business practices which we believe jeopardize our brand. This includes postings by sellers proven to have counterfeit Birkenstock products. It also includes a constant stream of unidentifiable unauthorized sellers who show a blatant disregard for our pricing policies. Policing this activity internally and in partnership with Amazon.com has proven impossible.

Kahan further insisted that any products listed on Amazon are not to be trusted and that Birkenstock customers:

83. Id.
84. Id.
86. Id.
87. Id.
89. Id. (quoting Letter from David Kahan, CEO, Birkenstock Ams., to Our Valued Birkenstock Partners (July 5, 2016)).
should ONLY PURCHASE BIRKENSTOCK PRODUCTS FROM
AUTHORIZED RETAILERS and that if [customers] see any “Birkenstock”
product on Amazon.com, [Birkenstock] cannot in any way confirm its
validity or verify its quality. It may be counterfeit. It may be stolen. It may be
manufactured under questionable labor and environmental conditions. So,
BUYER BEWARE.90

Consumer trust in Amazon has also suffered as a result of manipulated product
reviews, where at least four websites have been accused of accepting payment in
exchange for submitting positive customer feedback on Amazon listings.91 In
response, Amazon brought an action against a named operator of buyazonreviews.com,
as well as unnamed operators of buyamazonreviews.com, bayreviews.net, and
buyreviewsnow.com for trademark infringement, and violations of federal anti-
cybersquatting and Washington consumer protection laws.92

The astonishing volume of counterfeit products that continue to be exchanged
across the different avenues discussed in this section signifies that online marketplace
platforms are deeply flawed.

V. CONCLUSION

This article explored the business of counterfeiting and its evolution, the core
legal protections that are necessary for brand owners to employ when fighting against
counterfeiters, and the impact that the problem of counterfeiting on online
marketplace platforms has had on consumers of authentic goods. Counterfeit goods
are available in tremendous quantity across popular online marketplace platforms,
and consumers can no longer trust that they will be able to purchase authentic goods
through them. As a result, brand owners should embrace this new opportunity to
persuade these customers to purchase authentic goods through their own websites or
through online retailers that are authorized to sell their goods.

90. Id. (quoting Letter from David Kahan, CEO, Birkenstock Ams., to Our Valued Birkenstock Partners,
supra note 89).

91. Complaint for Damages and Injunctive Relief at 1–4, Amazon.com, Inc. v. Gentile, No. 15-2-08579-4
SEA (Wash. Super. Ct. filed Apr. 8, 2015); Jonathan Stempel, Amazon Sues to Block Alleged Fake
Reviews on Its Website, Reuters (Apr. 9, 2015, 8:00 PM), http://www.reuters.com/article/us-amazon-
com-lawsuit-fake-reviews-idUSKBN0N02LP20150410. This case is currently pending.

92. Complaint for Damages and Injunctive Relief, supra note 91, at 1–4.