



How to Fight Counterfeiters on Amazon:

Your brand is everything: an identity, a reputation, and a revenue-generating asset. When your brand suffers, the bottom line suffers too. Whether it is through bad publicity or notoriety from a failed product, an injury to your brand has a negative effect on your relationship with consumers, and consequently, your earnings and earning potential. One of the greatest threats to brands comes in the form of counterfeit products. Counterfeits can sap away revenue and consumer trust, expose you to product liability claims, and deplete your stock through fraudulent warranty claims.

In bygone times, it was a common sight in cities like New York to see a person on the sidewalk selling “designer” handbags that were, in fact, imitation products. Since then, the landscape of the counterfeiting market has evolved. Fake merchandise is still hawked in-person on occasion, but the rapid evolution of online marketplaces provides counterfeiters a new, easily accessible forum to sell their wares. To provide some scope, the Global Brand Counterfeiting Report estimated that the total amount of global counterfeiting reached 1.2 trillion dollars in 2017 and was projected to reach 1.82 trillion dollars by 2020. These projections were forecast before the COVID-19 pandemic boosted online retail shopping by nearly 25%.

Amazon is one of the largest sellers of fake goods—second only to eBay. In response to widespread criticism regarding the proliferation of fake goods sold via its online marketplaces, Amazon developed tools that brand owners can utilize to police their registered trademarks. For brands already selling on Amazon, or for those considering using Amazon’s marketplaces, these programs may be a cost-effective and expedient way to reduce revenue loss and reputational damage due to trademark infringement and the sale of counterfeit goods. Of course, more traditional tools such as initiating formal litigation remain available, which may be preferred particularly if seeking monetary damages, attorney fees, a declaration of non-infringement, or any judicially enforceable injunctive relief. Nevertheless, it is often highly desirable to consider the use of less draconian solutions before resorting to filing a lawsuit.

Brand Registry

Amazon’s Brand Registry grants users access to several useful tools, including automated protections. Users provide Amazon with key information, and using this information and machine learning, Amazon detects and removes products that it suspects to be infringing. Amazon also provides users with searching capabilities that allow users to find and report potentially infringing material. Thus, users can police their own brands. According to Amazon, there is a team of investigators available to respond to potential claims at any hour of the day.

To enroll in Amazon’s registry, a user must have an active registered trademark in each country where it desires to receive protection through the registry. For brands that do not have a registered mark, Amazon provides the additional service of enrolling brands in the registry through its IP Accelerator. The IP Accelerator connects businesses with one of eleven pre-selected law firms having a business relationship with Amazon to file trademark applications at pre-negotiated rates. By enrolling through the IP Accelerator, a user can also enroll in the Brand Registry as soon as the trademark application is filed, rather than waiting until the USPTO has issued a registration. The downside is that in order to “jump the line,” Amazon requires that users *must* use one of the Amazon-approved law firms. This artificially limited market severely hampers users’ ability to shop around for bespoke services and independently negotiate rates. Additionally, the IP Accelerator has been subject to criticism including suggestions that there may be a bias that could result in undesirable, long-term outcomes, particularly outside of the context of the Brand Registry (e.g., questions directed to the actual likelihood of registrability in view of the nature of the mark, the description of goods or services, and the

existence of potentially competing pre-existing registrations). Although the prospect of early access to the Brand Registry might be tempting, there is no guarantee that these costs users pay to the pre-approved firms will pay off in the form of a registration—or by way of continued early-access to the Brand Registry. Amazon can change its policies at any time, and for various reasons, there is strong speculation that it will do so.

Even if a party is eligible to participate in the Brand Registry, the program has limitations. For example, it currently only extends protection to trademarks registered in certain countries and to trademarks that have some text-based component. According to Amazon, the mark must be either:

- (1) a text-based mark that is either “Typeset Word(s)/ Letter(s)/ Number(s)” or a standard character mark, or
- (2) an image-based mark that is either an “Illustration Drawing which includes Word(s)/Letter(s)/ Number(s),” or “Words, Letters, or Numbers in a Stylized Form.”

Amazon also requires that the trademark text must be the same as the brand name that is on the application, and the trademark must appear on products and packaging as well.

Amazon reports that hundreds of thousands of brands are currently enrolled in the program, and those enrolled brands are allegedly finding close to 100% fewer suspected infringements. Amazon also reports that millions of “bad actor accounts” were preemptively stopped *before* they published a sale listing.

However, the Brand Registry puts much of the policing onus on users, and as many Amazon sellers have discovered, policing a brand on Amazon’s marketplace can be a full-time job. Despite having an on-call team of investigators, processing complaints takes time, and given the speed with which sellers come and go, policing your brand can often feel like a losing game of whack-a-mole. Additionally, there certain claims that Amazon will not enforce. For example, Amazon will not block sellers from offering items for sale against listings created by the brand owner.

Project Zero

The stated aim of Amazon’s Project Zero is to “drive counterfeits to zero,” by stifling counterfeiting before it becomes damaging to brand owners and consumers. Project Zero does this using machine learning to scan listing updates and remove suspected counterfeit through its automated protections. To steer the process, enrolled brands provide Amazon with certain information, like logos, that aid in the identification of counterfeit goods. Amazon’s ability to search for counterfeit goods is remarkably vast. In fact, Amazon claims that it scans over five billion product listing update attempts *daily*.

Through Project Zero, brands no longer need to report incidents of counterfeiting to Amazon to have infringing products removed from online marketplaces. Project Zero allows brands to simply remove the listings on their own, providing swift resolution to potential cases of counterfeiting.

Project Zero is free to use. To enroll, the user must first enroll its brand in the Brand Registry program (discussed above). Then, to enroll in Project Zero, the trademark owner (*not* a registered agent) must have an Amazon account with access to the Brand Registry. Additionally, the user must have submitted reports of potential infringements with an acceptance rate of a minimum of 90% over the course of the previous six months. Thus, users that have joined the Brand Registry but have not used the Report a Violation tool are ineligible for enrollment in Project Zero. But, if a user meets the eligibility requirements and is enrolled in Project Zero, it is automatically enrolled for protection in *all* other countries where Project Zero is available.

Like the Brand Registry, Project Zero has limitations too. For example, Project Zero only scans listing update attempts—not *existing* infringing listings. Moreover, the algorithm makes mistakes and, all too often, confuses authentic product sold by authorized sellers as counterfeit merchandise.

Transparency

Transparency is a product serialization service that provides brands with the opportunity to affix unique alphanumeric codes to their products. These codes are used to authenticate products before they are shipped to ensure that counterfeit goods are not sent to consumers.

Enrollment in Transparency requires three conditions. First, the user must verify that it is the actual brand owner. Second, a Global Trade Item Number (like a UPC code) must be on the products. Third, the user must apply the Transparency codes on *every* unit of the product(s) being manufactured.

One unique feature of Transparency is the level of *consumer* involvement in policing counterfeit goods. Consumers can verify the authenticity of a product using the Transparency code—even if the product is purchased outside of the Amazon marketplace, like at a storefront in a shopping mall. Consumers can use the Amazon shopping or Transparency mobile apps to scan the Transparency code. If the product is authentic, a green check mark appears. A red check mark appears if the product is counterfeit. Transparency also gives brands the ability to provide additional information regarding their product. So, a customer can scan the code and review the product's manufacturing date, manufacturing place, ingredients, etc.

Although Transparency is a comparatively powerful tool to authenticate goods, it comes at the cost of higher manufacturing and fulfillment costs. Amazon has not publicly stated the cost for enrollment in Transparency, but the cost of affixing the code to the goods is around 1¢ - 5¢ per unit. Additionally, although there is some verification that occurs before distribution, Transparency relies heavily participation by savvy consumers, and depending on any number of variables, consumers might lack the resources or interest to verify the authenticity of the goods they purchase and receive.

In Summary

Ultimately, counterfeiting is far too profitable a venture to disappear altogether, and in a global economy where more and more transactions occur via online marketplaces, brand owners must be vigilant to protect their brands. So, for companies that are looking to sell their goods on Amazon, these initiatives are a cost-effective and expedient way to reduce reputational damage and revenue loss that comes from sales of counterfeit goods. However, these tools have limitations, and their use does not impair a user's ability to separately, or simultaneously, pursue remedies in court. 🤔

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