



**Testimony before the U.S.- China Economic and Security
Review Commission**

**Hearing on Consumer Products from China: Safety, Regulations, and
Supply Chains**

**Written Testimony of
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Foreword

Honorable Members of the Commission,

Thank you for the opportunity to appear before you today. My name is Daniel Shapiro, and I am the Senior Vice President for Brand Relationships and Strategic Partnerships at Red Points.

In my testimony before this Commission, I will provide a comprehensive overview of the effects of counterfeit products shipped from China have on U.S. consumers, brands, and the broader U.S. economy. The testimony will delve into various key factors, including the remarkable expansion of international Chinese marketplaces. Furthermore, I will draw upon insights and data from Red Points' platform to illustrate the current state of the counterfeit crisis based on the extensive dataset we have collected over the years. This will include exploring the steps that can be taken to protect unsuspecting U.S. consumers and organizations from these risks. My objective is to provide insight on this complex issue to the Commission.

Daniel Shapiro's background

Before I start, I would like to briefly introduce myself and explain why I believe my expertise can provide value to the Commission.

For 30 years as a career retail executive working with many of the most famous brands in the world, I have valued and protected the relationship of authentic goods. I began this journey as a Merchandise Manager and later a Senior Buyer for Men's Athletic Shoes at Macy's, lasting nearly 6 years. Followed by a 24-year career as President and CEO of Shapiro Luggage and Gifts, an eight-store specialty retailer in three States. Later on, I entered the world of brand protection at eBay, where I helped the e-commerce platform create its first-ever global proactive brand protection team. My roles evolved during my almost 8 years at eBay, providing me with a 360-degree picture of counterfeiting and what it meant for the marketplace, brands, legitimate sellers, and ultimately the impact on the end consumer.

For the past six years, I have been part of the Red Points team, leading the company operations in North America. During this tenure, I have been instrumental in expanding our brand relationships and have made significant strides in enhancing and fortifying our ties with marketplaces, social media platforms, and registrars. For Red Points, maintaining a healthy partnership with these e-commerce platforms is paramount to the success of our clients' brand protection programs. This, together with our AI-driven platform, enables us to effectively detect and enforce online fraud worldwide.

Red Points overview

Red Points is the world's most widely used AI platform to stop counterfeits, impersonation, piracy, and brand abuse. More than 300 software engineers and industry experts have built it together with some of the world's largest companies for the past decade, and today it offers a remarkably advanced and customizable suite of products that protect organizations across marketplaces, websites, social media, apps, and NFT platforms.

As of today, over 1,300 companies rely on our platform to combat online fraud. Just last year, Red Points processed 60 million links per day, enforced 4.6 million infringements, and safeguarded an estimate of \$2.2 billion in revenue for our customers¹. Currently, we send approximately between 350,000 and 400,000

¹ Based on enforced listings' stock and selling price.



cease and desist notices a month, numbers that highlight the scale of the issue of online intellectual property infringements.

Our client base includes some of the world's largest brands spanning all five continents, with several Fortune 100 companies among them, as well as small and medium businesses, and represents a large list of industries, such as toys, sports, cosmetics, fashion, electronics, homeware, and CPG (consumer packaged goods) among others.

At Red Points, we firmly believe that continuous innovation is the best response to intellectual property threats. Our commitment to developing truly scalable, adaptive, and user-friendly technology has empowered us to build the world's most advanced platform to fight counterfeiting and brand abuse, and ultimately progress toward our corporate mission: making the Internet a safer place for brands and consumers.

Section 1: Evolution of e-commerce and its impact on U.S. buyers

The e-commerce boom

In the last ten years, the realm of online shopping has undergone a remarkable metamorphosis. In 2010, a mere 5%² of retail sales occurred through digital channels. However, the landscape of e-commerce experienced a rapid ascent over the decade, with online sales soaring to 18%³. This staggering growth was particularly pronounced in 2020 when e-commerce sales surged by an impressive 44%⁴.

In this context, addressing the problem of counterfeiting without acknowledging the rapid expansion of e-commerce, which has significantly altered consumer purchasing behaviors and provided international sellers with new platforms to reach a worldwide audience, would be to overlook a critical component of the issue.

In fact, quantitative analyses, which we will cover later in this testimony, explore the direct connection between e-commerce and counterfeit trade. Specifically, they examine the relationship between the growing e-commerce sector and the frequency and value of customs seizures of counterfeit goods during the period of 2017-19.⁵

Similarly, it's undeniable that the COVID-19 pandemic served as a catalyst for this e-commerce boom. The pandemic-induced reliance on online shopping opened the doors of e-commerce to a diverse array of demographic groups, many of whom were previously underrepresented or ill-equipped for online

² Rheude, Jake. 2023. "ECommerce Growth From 2010 to 2020." Red Stag Fulfillment. December 22, 2023. <https://redstagfulfillment.com/2010s-ecommerce-growth-decade/#:~:text=Since%202010%2C%20global%20eCommerce%20sales%20have%20increased%20by%20nearly%20800%25>.

³ Rheude, Jake. 2023. "ECommerce Growth From 2010 to 2020." Red Stag Fulfillment. December 22, 2023. <https://redstagfulfillment.com/2010s-ecommerce-growth-decade/#:~:text=Since%202010%2C%20global%20eCommerce%20sales%20have%20increased%20by%20nearly%20800%25>.

⁴ Rheude, Jake. 2023. "ECommerce Growth From 2010 to 2020." Red Stag Fulfillment. December 22, 2023. <https://redstagfulfillment.com/2010s-ecommerce-growth-decade/#:~:text=Since%202010%2C%20global%20eCommerce%20sales%20have%20increased%20by%20nearly%20800%25>.

⁵ Misuse of E-Commerce for Trade in Counterfeits. 2021. Illicit Trade | OECD and European Union Intellectual Property Office. October 25, 2021. <https://www.oecd-ilibrary.org/sites/1c04a64e-en/index.html?itemId=/content/publication/1c04a64e-en>.



purchasing. This led to a noticeable inclination towards prioritizing convenience and cost-effectiveness in shopping, changes that have redefined the retail landscape and consumer expectations.

Last but not least, this era of e-commerce expansion was also marked by the rise of major players, such as Amazon, Alibaba, and Facebook Marketplace. Alibaba, though rooted in China, transcended its national boundaries to become a global player in online retail, gaining a strong foothold in worldwide markets, notably in the United States. Since 2010, Alibaba has witnessed a sizable growth of over 12,000%⁶, a testament to its expanding influence and reach.

ECOMMERCE GROWTH IN THE U.S.



Source: redstagfulfillment.com

Section 2: Role of e-commerce in counterfeit distribution within the U.S.

How e-commerce facilitates counterfeit sales

The exponential growth of e-commerce combined with an ease of access to these platforms, has significantly opened up avenues for counterfeit goods, particularly those originating in China. Online marketplaces, by their very design, offer sellers a degree of anonymity and remarkably low barriers to entry, enabling counterfeiters to infiltrate and exploit global markets and pose significant threats to consumers, businesses, and intellectual property rights holders.

Not only are counterfeiters readily accessing these platforms, but they are also continually evolving their methods to circumvent detection. While law enforcement and regulatory bodies are vigilant in identifying fraudulent websites and collaborating with major platform operators and brand owners to curtail the sale of counterfeits, the challenge remains persistent and continues to escalate.

⁶Rheude, Jake. 2023. "ECommerce Growth From 2010 to 2020." Red Stag Fulfillment. December 22, 2023. <https://redstagfulfillment.com/2010s-e-commerce-growth-decade/#:~:text=Since%202010%2C%20global%20eCommerce%20sales%20have%20increased%20by%20nearly%20800%25.>

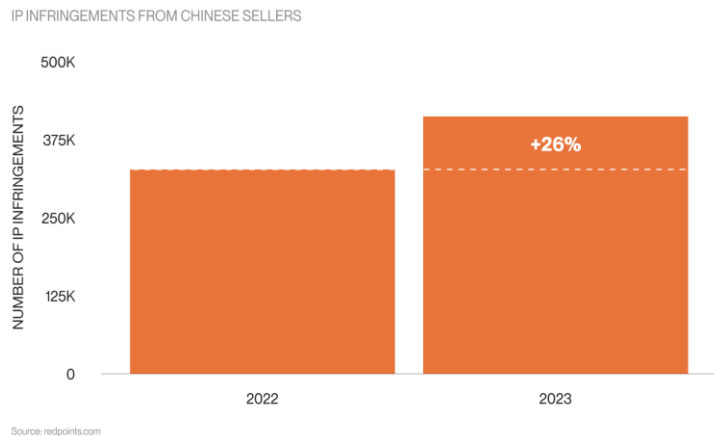


Meanwhile, the referred-to level of anonymity afforded to counterfeiters severely restricts the visibility of available public data, providing an incomplete picture of the true magnitude and origin of counterfeit goods entering the U.S.

Out of all seller data processed in 2022 and 2023 by Red Points, only 14% of infringing marketplace sellers displayed geolocation information, which reveals a severe transparency deficit in many e-commerce platforms. However, when looking at sellers with confirmed geolocation information, 40% of those identified within this two-year period were based in China.

When comparing those two years, 2022 and 2023, Red Points records show an uptrend both with regards to the number of Chinese sellers engaging in infringing activities (+12% year over year) and the volume of infringements committed by those sellers (+26% year over year).

These figures present a clear trend and reflect the ease at which counterfeit goods, particularly those from China, are infiltrating international markets via online platforms, challenging both consumers and businesses in identifying and combating this illegal trade.



Quantifying the issue of counterfeit goods in the U.S.

As mentioned above, the issue of counterfeiting has undergone a rapid evolution beyond the traditional confines of street corners and flea markets.

As of 2018, counterfeiting ranked as the largest criminal enterprise globally, with sales of counterfeit and pirated goods totaling an estimated \$1.7 trillion to \$4.5 trillion annually, surpassing the revenue from both drugs and human trafficking⁷.

This significant increase is mirrored in data collected by the U.S. Department of Homeland Security (DHS). Between 2000 and 2018, DHS reported a tenfold increase in the seizure of infringing goods at U.S. borders, with annual seizures growing from 3,244 to 33,810⁸. Even more telling is the domestic value of these seized items based on the manufacturer's suggested retail price (MSRP) of the legitimate goods, which reached the staggering amount of \$1.4 billion in 2018⁹.

The expected growth of e-commerce amplifies concerns that the extent of this problem could escalate further, particularly if current practices continue without significant changes.

⁷ Bharadwaj, V. P., Marieke Brock, Bridey Heing, Ramon Miro, and Noor Mukarram. 2020. "U.S. Intellectual Property and Counterfeit Goods—Landscape Review of Existing/Emerging Research." *Social Science Research Network*, January. <https://doi.org/10.2139/ssrn.3577710>.

⁸ "Combating Trafficking in Counterfeit and Pirated Goods" 2020. Homeland Security | Office of Strategy, Policy & Plans. https://www.dhs.gov/sites/default/files/publications/20_0124_plcy_counterfeit-pirated-goods-report_01.pdf

⁹ "Intellectual Property Rights Fiscal Year 2018 Seizure Statistics" 2018. U.S. Customs and Border Protection | Office of Trade https://www.cbp.gov/sites/default/files/assets/documents/2019-Aug/IPR_Annual-Report-FY-2018.pdf



Section 3: China-originated counterfeit trade and U.S. consumer access

China's role in global and U.S. counterfeit goods trade

China's involvement in the global counterfeit goods trade has made a substantial contribution to the burgeoning issue of counterfeit goods entering the U.S. This issue is not merely growing, it is rapidly escalating, posing a significant threat to the U.S. economy and its consumers' safety.

According to the Office of Trade, U.S. Customs and Border Protection, a substantial portion of counterfeit goods entering the United States originates from Mainland China (46%) and its Hong Kong territory (41%)¹⁰.

Entry points for online Chinese counterfeits in the U.S.

According to Red Points' platform data, the influx of counterfeit goods from China into the U.S. market is multi-pronged, with e-commerce platforms at the forefront.

Chinese counterfeit online distribution can be classified into four main groups:

1. Chinese marketplaces shipping internationally

Due to their large transaction volume, these e-commerce platforms emerge as the predominant source of counterfeit distribution, accounting for a staggering 85.9% of all China-originated infringements reported by Red Points. Some of the most popular examples are Alibaba, DHGate, JD.com, Temu, Shein, and AliExpress.

These sites offer American consumers a massive assortment of products that can be shipped to the U.S., and have shown to be facilitating the majority of counterfeit listings our customers have reported. In most cases, the method of entry for these goods into the U.S. is through small postal shipments, posing a significant challenge to track and regulate the influx of these items.

2. U.S. and global online marketplaces

American marketplaces like Amazon and eBay and international marketplaces that allow shipping into the U.S. are also used by Chinese counterfeiters. Based on Red Points data, even though this group accounts for 5.1% of all China-originated infringements on our platform, it saw a 64% increase in cases between 2022 and 2023.

3. Chinese standalone e-shops

Although marketplaces offer a low entry barrier to counterfeit sellers by design, the building and hosting of single e-commerce websites have been significantly commoditized in the past few years.

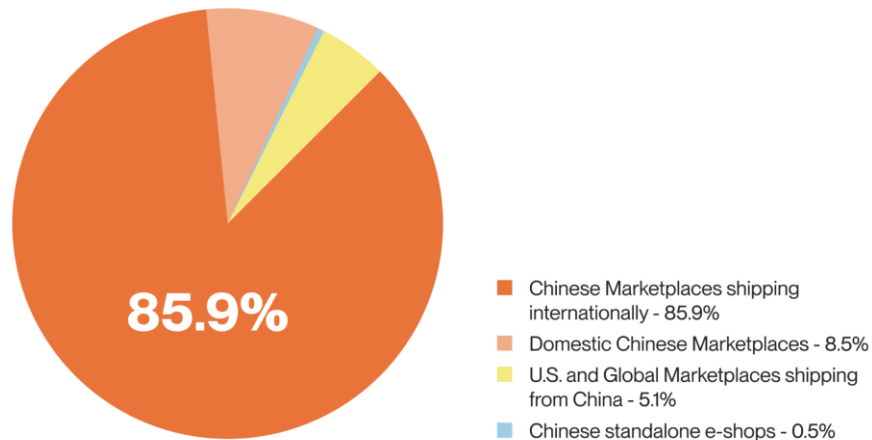
In fact, stand-alone websites registered with Chinese hosting saw a 224% increase in infringements from 2022 to 2023 as observed by Red Points, despite accounting for only 0.5% of China-originated infringements volume. However, due to the lack of reliable data regarding stock or transactions, the actual volume of counterfeited products sold through these sites is presumably far more significant.

¹⁰ Solutions, Syed M. Zubair Bokhari - Xdimension. 2011 "Supply Chain News: The Enormous Cost of Counterfeit Goods to US Manufacturing." https://www.scdigest.com/ontarget/21-11-10_counterfeit_goods_growing_problem.php?cid=19254

4. Domestic Chinese marketplaces combined with drop-shipping services

Bad actors also utilize Chinese marketplaces designed for domestic use, like Taobao, TMall, and 1688 to funnel counterfeit goods into the U.S. through third-party drop-shipping platforms like Pandabuy. Infringements in these sorts of platforms account for 8.5% of the infringements in Chinese sites recorded by Red Points.

MAIN E-COMMERCE CHANNELS USED BY CHINESE COUNTERFEITERS TO SELL TO U.S. CONSUMERS



Source: redpoints.com

Brand protection challenges in Chinese e-commerce platforms

The challenges in monitoring and controlling the spread of counterfeit goods on many of these platforms are significant. The sheer volume of transactions, coupled with the sophistication of counterfeiters who often exploit these platforms, limit the effectiveness of enforcement efforts.

82% of Chinese marketplace sellers processed by Red Points lack readily available seller information. This data gap impedes efforts to effectively cluster and gather seller intelligence, hindering the identification and disruption of repeat offenders and hidden networks.

Additionally, Red Points enforcement data reveals the extended timeframe required to address infringements hosted by international and local Chinese marketplaces. Compared to non-Chinese platforms, takedown processes for Chinese platforms take 25% longer on average. These and many other references highlight not only the escalating issue of counterfeit goods shipped from China but also the challenges associated with effectively managing and mitigating these infringements.

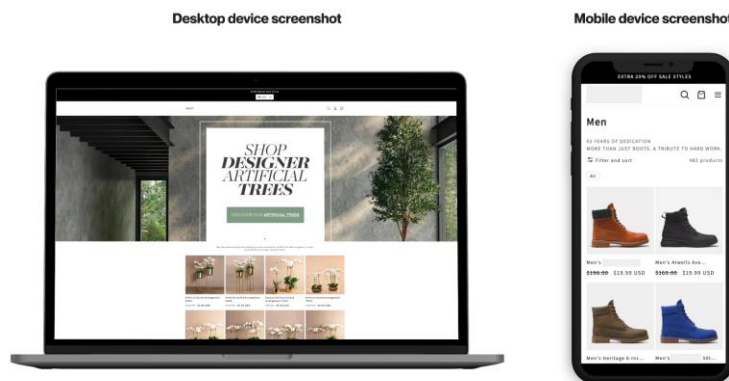
Section 4: Circumvention techniques used by Chinese counterfeiters

Continuously adapting evasion strategies

As we delve deeper into the impact of Chinese intellectual property infringing sellers, it is important to bring awareness to some of the common circumvention techniques used by counterfeiters.

With the help of technology, scammers devise increasingly sophisticated methods to sell counterfeit goods undetected. Even though these methods change rapidly, we believe a few examples can help us understand how scammers find their way to U.S. consumers in today's digital world.

- Mobile-only counterfeit shops: To cloak their digital footprint, many are building e-shops that are only available through mobile networks or when the user agent represents a mobile device, but shows harmless, unrelated content when accessed through a desktop browser. This tactic creates a facade of legitimacy, lulling unsuspecting consumers who are typically drawn to such websites via volatile social media ads.



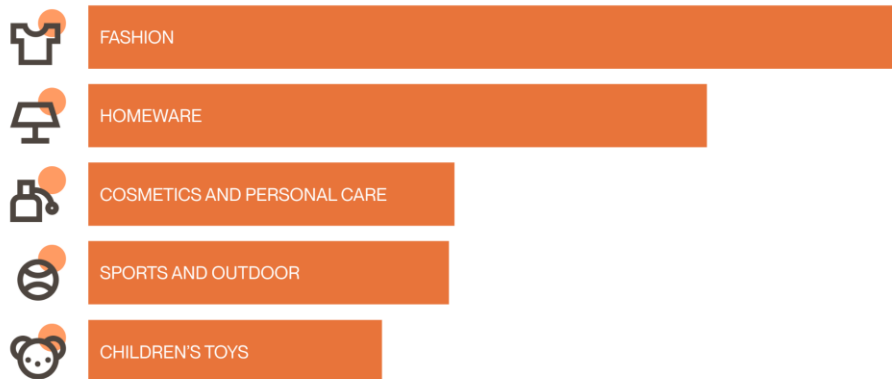
- Hidden auctions: Marketplace listings can show generic products but conceal the actual counterfeit goods, allowing consumers to connect the dots through social media content or private messages, further complicating online detection and enforcement by rights holders.
- Social media-first user acquisition: A growing concern is the increasing prevalence of cross-channel distribution. Sellers initiate engagement and promotion on social media platforms like TikTok, Meta, and Reddit, and then redirect consumers to marketplaces or standalone websites for transactions. This creates a complex web of activity, hindering brand protection efforts.
- Misspellings: To further evade detection, sellers weaponize obfuscation through extensive misspellings and generic keywords. Our data reveals almost 90,000 variations of Chinese search keyword suggestions annually including misspellings, masking, and disguising counterfeit listings.
- Wrong category: Another deceptive technique used by malicious online sellers involves misclassifying their product listings under irrelevant categories. This intentional misrepresentation is designed to evade detection by online marketplaces' monitoring systems, further complicating the challenge of combating the sale of counterfeit goods on their platforms.

Section 5: Safety and economic threats of counterfeiting to U.S. consumers and businesses

Industries most impacted by Chinese counterfeits

In our efforts to help brands fight back against Chinese counterfeiters, we have identified several industries where counterfeit products are most prevalent. These include fashion, homeware, cosmetics and personal care, sports and outdoor, and children's toys.

TOP INDUSTRIES WITH HIGHEST NUMBER OF CHINESE IP INFRINGING SELLERS



Source: redpoints.com

The proliferation of counterfeit goods in these sectors engenders significant health and safety concerns for consumers. For instance, in the fashion industry, there is a troubling lack of clarity regarding the chemicals used in the production of counterfeited items like jeans or underwear, which potentially harm both manufacturers and wearers. In the realm of homeware, questions linger about whether the materials used in these counterfeit products adhere to food and health safety standards. The cosmetics and personal care sector faces uncertainties about the ingredients in counterfeit beauty products and the potential dangers these unknown chemicals might inflict when absorbed by the skin. In the sports and outdoors category, concerns surround the safety of counterfeit electronic equipment, such as muscle recovery devices, which might carry the risk of electrocution. Furthermore, the children's toy industry confronts grave risks, particularly from counterfeit products like infant car seats or teething rings, which often contain hazardous substances. These counterfeit products pose significant dangers to children's health and safety, including the presence of toxic chemicals or paints, choking hazards, and even failure of primary safety restraints.

Beyond these industries, similar health risks are present in nearly every other sector, such as Consumer Packaged Goods, which include everyday items like health supplements, chocolate, soda, or toothpaste, or electronics and spare parts of machinery. Aircraft components, automotive parts, chemicals for the farming industry, or industrial equipment are all targets for counterfeit manufacturers and distributors. Red Points' experience in supporting hundreds of corporate customers exposes how virtually no industry remains immune to these threats.

Economic and brand implications for U.S. companies: A high price to pay

Beyond the impact on safety, counterfeit products present a multitude of threats to legitimate businesses across the U.S., encompassing far-reaching economic and reputation implications. As per the February 2020 USPTO Counterfeit Report, U.S. businesses lose more than \$200 billion annually to counterfeiting and piracy. This economic impact is compounded by the loss of over 750,000 jobs¹¹, highlighting the significant detriment to the workforce and economy.

Further estimates from the same report suggest that the sale of counterfeit and pirated goods abroad directly undermines the U.S. market, with the displacement of genuine sales by counterfeit goods costing

¹¹ Bharadwaj, V. P., Marieke Brock, Bridey Heing, Ramon Miro, and Noor Mukarram. 2020. "U.S. Intellectual Property and Counterfeit Goods—Landscape Review of Existing/Emerging Research." *Social Science Research Network*, January. <https://doi.org/10.2139/ssrn.3577710>.



the U.S. economy approximately \$29 billion every year. This displacement not only affects business profitability but also has broader economic consequences.

Moreover, counterfeit goods erode the value of legitimate brands. When brand owners lose the ability to command a price premium for their genuine branded goods, it results in diminished innovation. The incentive for brand owners to invest in new, innovative products decreases as the financial returns on such investments are eroded by counterfeit competition. This not only impacts the companies themselves but also stifles progress and advancement across various industries, ultimately affecting consumer choice and quality.

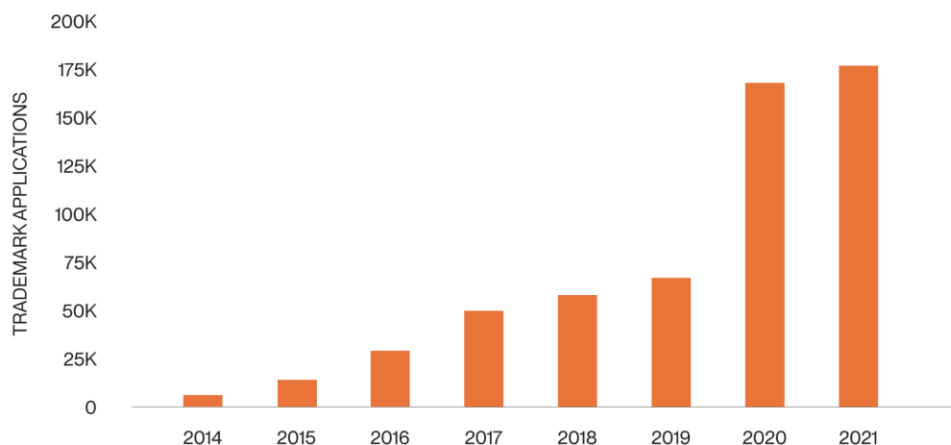
Section 6: Challenges faced by brands when combating Chinese intellectual property infringements

The importance of an appropriate rights registration strategy

As explained, while consumers undoubtedly face significant threats from Chinese intellectual property infringements, brands themselves grapple with formidable hurdles. Malicious intellectual property registration by Chinese parties poses a major challenge. In some cases, Chinese sellers actively file for patents and trademarks of U.S. companies through Chinese authorities, infringing upon the intellectual property rights of U.S. companies.

These actions not only create legal roadblocks for companies that want to start legitimate operations within the Chinese market, but they also make the enforcement of trademarks, patents, and other intellectual property rights a very complicated process, hardly affordable by small and medium businesses, and sometimes just technically not achievable.

USPTO'S PERFORMANCE AND ACCOUNTABILITY REPORT



Source: USPTO's Performance and Accountability Report

Further aggravating the problem is the issue of time sensitivity. Rapidly growing companies may inadvertently overlook or postpone securing their trademark registrations in China. This delay leaves them vulnerable to appropriation by others, potentially resulting in long-term damage to their brand integrity and market position within the fast-paced Chinese landscape.



Understanding and navigating local legislation is also a daunting task for many U.S. companies. Local marketplaces in China often give preferential treatment to Chinese intellectual property registrations, leaving U.S. companies with unregistered or pending intellectual property rights in China to assert their rights. This situation is further compounded by brand impersonation sites targeting U.S. shoppers perpetuating financial fraud and identity theft under the guise of legitimate brands. These sites create an additional layer of risk, not only constituting a blatant intellectual property infringement but also jeopardizing consumer trust and safety.

Section 7: Strategies for U.S. consumers to avoid Chinese counterfeits and safeguard intellectual property

Best practices for avoiding counterfeits as a consumer

Navigating the murky waters of online shopping to avoid getting fooled by Chinese counterfeiters can be challenging for U.S. consumers. Generally, consumers fall into two categories in this context:

- **Unintentional Sufferers:** These individuals hope to receive authentic products but later discover they have purchased counterfeits, often after contacting the legitimate brand's customer support center. The disappointment and financial loss experienced are significant, as they end up with products that may not meet their expectations, are unsafe, or simply do not adhere to the original's quality standards.
- **Counterfeit Seekers:** This group intentionally looks for cheaper alternatives to genuine products. For instance, they might want a Kansas City Chiefs jersey but are unwilling to pay the full price of \$130 for an authentic one. Instead, they turn to marketplaces to find a similar jersey for a portion of the price, fully acknowledging that these are likely to be counterfeits.

While several authenticity technologies and devices are available, their effectiveness in the online shopping context is limited. Technologies like supply chain tagging and serialization are incredibly useful for verifying the authenticity of physical goods, but most of these tags and identifiers are not visible or verifiable through online marketplaces or social media sites. This limitation makes it difficult for consumers to ascertain the authenticity of products before purchase. The challenge, therefore, lies in discerning genuine products from counterfeits in an online environment where physical verification is not possible. Some valuable strategies can be applied to navigate this online landscape.

Firstly, it is crucial to cross-check product information with the official brand site for image similarity, misspellings, accuracy in details, specifications, and features. Gaining a thorough understanding of the product's features, materials, and specifications is vital to spot any red flags and discrepancies with the original item that may indicate a counterfeit.

For high-value purchases, such as mechanical or electronic equipment, verifying serial numbers with manufacturer databases is recommended. Products in listings where the brand name is misspelled or not mentioned are also red flag signs. Evaluating the brand logo for any discrepancies in shape, size, color, and design is another key step.

If there are doubts about a listing's authenticity, contacting the seller for additional information and specific details about the product is advisable. Legitimate sellers are usually willing to provide more information to build trust. Prices that seem too good to be true often are, so consumers should be cautious. Evaluating product packaging for any discrepancies, brand name misspellings, or poor-quality materials is important.

Investigating the seller's background, particularly on marketplaces, and looking out for customer reviews can provide insights into the product's authenticity, but paying attention to natural, human-like reviews only



is paramount, as fake reviews can be generated by AI tools or purchased from shady service providers. Shopping on sites with friendly return policies is also advisable.

Checking whether the product comes with authentic high-quality packaging, including branding, holograms, and other security measures, can help determine authenticity. Ensuring that the product has the required certifications and trademarks owned by the brand is another safety measure. Using secure payment methods and avoiding less secure options like wire transfers is recommended.

Educating oneself and others about common scams and techniques used by counterfeiters can help avoid potential risks. Reporting suspicious products to the brand, marketplaces, or relevant authorities is also a crucial step in combating counterfeit trade. Finally, trusting one's instincts is essential; if any aspect of the purchase feels uncomfortable or suspicious, it's better to walk away.

Safeguarding intellectual property in China for U.S. companies

To effectively safeguard intellectual property from counterfeiters in general, and Chinese counterfeiters specifically, U.S. companies need a multifaceted approach.

As mentioned above, early and comprehensive intellectual property registration in China, especially given its 'first-to-file' system, is essential to protect intellectual property rights effectively.

Engaging experienced local counsel can provide invaluable insights into China's legal processes and cultural nuances. Additionally, for intellectual property disputes, considering alternative dispute resolution methods like mediation or arbitration, which can offer more cost-effective and quicker solutions compared to traditional litigation, might also be relevant.

Active monitoring of the market for potential intellectual property infringements and enforcing rights when necessary is critical. This could involve regular market surveys and the use of technology to proactively find online infringements. Furthermore, utilizing data mining capabilities can help prioritize brand protection strategies, plan legal actions against specific counterfeiters, and ultimately disrupt their networks. Litigation, for instance, can be effective in disrupting infringer operations by freezing their accounts and imposing financial penalties, which can help intellectual property rights owners not only recover revenue but also discourage repeat infringers from abusing their brand ever again.

Building strong relationships with local partners, authorities, and other stakeholders is equally important, as these relationships can facilitate a better understanding of the market and aid in enforcing intellectual property rights. Customizing contracts to align with local laws, incorporating robust confidentiality clauses, and educating employees about trade secret protection are crucial steps in safeguarding a company's intellectual property.

Lastly, when considering joint ventures with Chinese companies, thorough due diligence is vital. It's important to clearly define intellectual property rights in joint venture agreements to protect company interests.

This comprehensive strategy can help U.S. businesses navigate the complex intellectual property landscape in China and protect their brand assets.



Section 8: Red Points' recommendations for addressing the issue of counterfeit trade

Proposals for the Committee's consideration

As it has been widely stated, the proliferation of counterfeit goods in e-commerce poses a significant threat to U.S. consumers and businesses. To effectively address the issue of counterfeit goods from China, Red Points recommends a multi-faceted approach.

Firstly, mandating enhanced seller identification practices is crucial. This would require marketplaces and social media platforms to collect specific information that makes it easier to identify bad-faith actors, especially repeat infringers. This data should be at least partially accessible to consumers to provide them with the right level of visibility and empower them to make informed decisions. Establishing industry-wide authentication protocols and verifying adherence to them would further bolster this first line of defense against counterfeit infiltration. Facilitating swift identification and removal of counterfeit goods through such collaboration will disrupt their online presence and deter future attempts.

Secondly, implementing policies with stricter penalties for sellers repeatedly caught in the act would help dissuade repeat infringers and disrupt illicit networks.

Thirdly, for brands, it's essential to ensure that intellectual property rights are comprehensively registered to actively monitor the Internet for infringements of such rights. Engaging in enhanced collaboration with other rights holders strengthens enforcement efforts. Leveraging proven technologies like Artificial Intelligence (AI) and automation has proven remarkably helpful in identifying intellectual property infringements with greater speed and accuracy both for brands and for e-commerce platforms, but, whatever the solution, it should be encouraged to have a proactive system in place.

Finally, it would be beneficial to launch awareness campaigns to empower 'unintentional sufferers' and educate 'counterfeit seekers' on the dangers and negative consequences of purchasing counterfeit goods promoting responsible online shopping acts.

By fostering these interconnected strategies, we can forge a stronger and more effective framework to combat the proliferation of Chinese counterfeit goods in the U.S. market, thereby safeguarding businesses' brand integrity and consumer trust, and minimizing citizens' exposure to safety threats posed by counterfeits.

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