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Here's how the trade war could lead to a boom in counterfeit goods

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KEY POINTS

Booming e-commerce sales are adding to the flood of products Customs and Border Protection must monitor for potentially counterfeit items.

Counterfeiters are increasingly learning how to make harder-to-spot fakes, with 3D printing and other new technology.

They are also using new methods of hijacking well-known brands to get their fake products on e-commerce sites, such as Amazon.



VIDEO 04:41**The unexpected effect of trade wars: A potential boom in counterfeit goods**

As the trade war between the U.S. and China has continued to heat up, Chinese nationals potentially could turn to a surprising way around tariffs: increasing the number of counterfeit goods, according to the Federal Bureau of Investigation.

Trade groups have warned Congress that tariffs could increase costs and drain resources available to fight illicit counterfeits. They also caution that consumers may knowingly or unknowingly seek counterfeit goods as legitimate goods become more expensive. Six trade groups sent a letter to the House Ways and Means Committee with the warning in June, according to [World Trademark Review](#).

Counterfeit goods cost the U.S. economy an estimated \$600 billion a year, or 3 percent of the U.S. gross domestic product, according to Steve Shapiro, the unit chief for the FBI's intellectual property rights unit. Twenty-four federal and international law enforcement agencies work together to stop the illegal products. But booming e-commerce sales are adding to the flood of products agencies must monitor, and counterfeiters are increasingly learning how to make harder-to-spot fakes or finding new ways around the systems that were put in place to prevent fraudulent products.

"Every day I come into the office and I see new product categories that criminals are manufacturing fraudulently," Shapiro said.

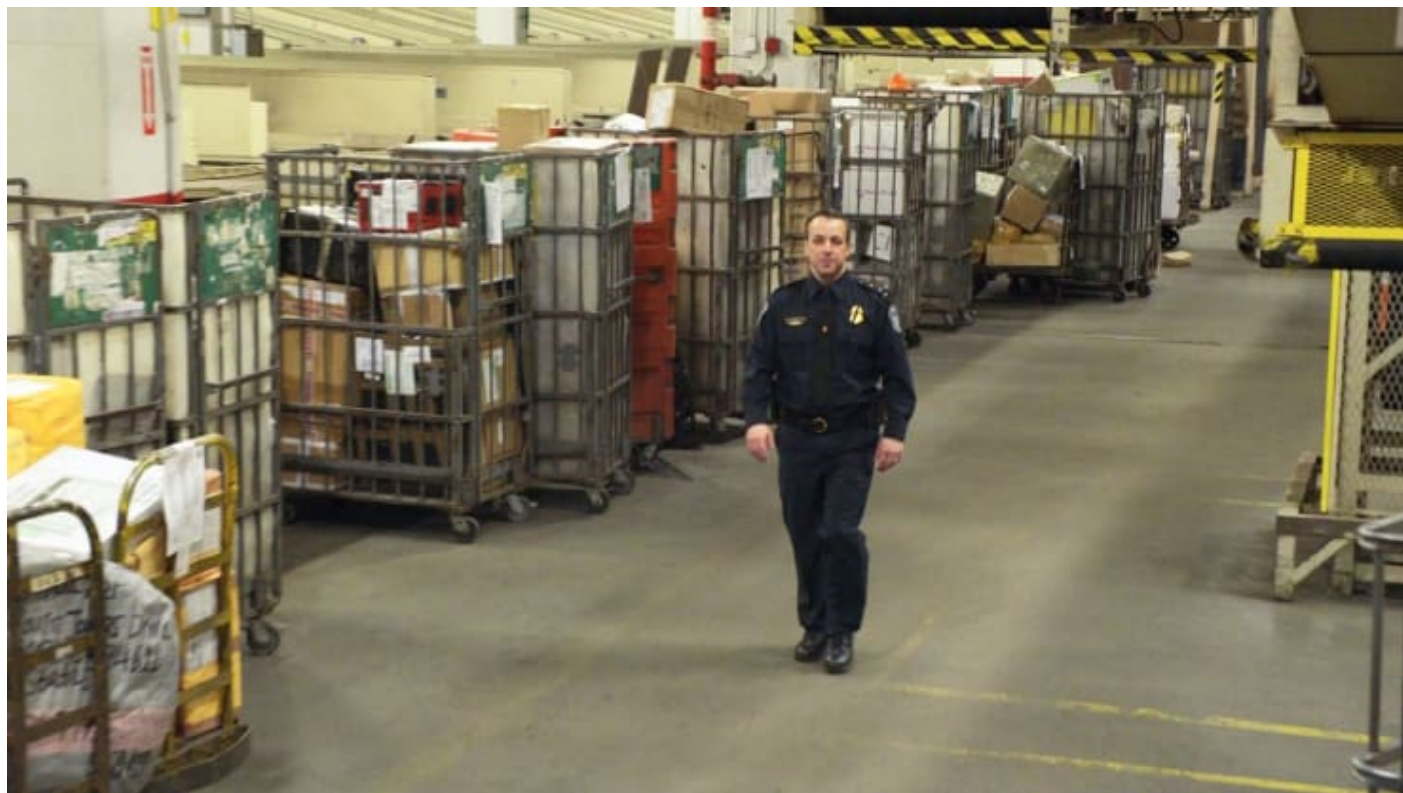
Shipments from China are including an ever-increasing number of counterfeit items, according to Frank Russo, the port director for Customs and Border Protection at John F. Kennedy International Airport in New York.

A flood of online purchases

CNBC visited JFK's international mail facility, the busiest in the country. Here, CBP



“Transnational criminal organizations are shipping illicit goods to the United States via small packages due to a perceived lower interdiction risk and less severe consequences if the package is interdicted,” said Kevin McAleenan, acting CBP commissioner, in [a strategic plan](#) put out by the agency.



Frank Russo is the JFK Port Director for Customs and Border Protection, one of the agencies tasked with stopping counterfeit goods.

Source: CNBC

The number of packages they are sorting through is on the rise, especially small packages being shipped directly to consumers from e-commerce websites.

“It certainly is easier to get duped than ever before ... because of the advent of e-commerce platforms and the proliferation of counterfeit goods across the space,” said Shapiro.

The increased volume is creating a challenge for CBP. “Here at JFK, we get about 120,000 e-packets a day. Those are packages that weigh less than four pounds,” Russo said. “When you see that kind of volume, it makes it that much more challenging for us to do our job.” In the 72 hours before CNBC’s visit, CBP found a counterfeit gun, jewelry, guitars and designer handbags.

“Last year alone, 4,500 shipments of counterfeit goods came through JFK. That represents 12 percent of the total volume across the country,” Russo said.

In CBP’s most secure room, they store potentially counterfeit drugs such as Tramadol, oxycodone, ecstasy and MDMA, according to Russo. The room also contained counterfeit money and IDs.

Spotting the ‘super fakes’

Another challenge for officers is what is known as “super fakes,” or counterfeits that appear to be so real it is hard to tell it’s an impostor.

“We’re talking about products that are so close to being genuine, or close to being exactly the same as the genuine products, that they’re hard to decipher and detect as being counterfeit,” Russo said.

Technology has made it easier for fakes to pose as legitimate brands.

“Manufacturing and 3D printing has made it very hard to tell the difference between a super fake and a legitimate product. Oftentimes you have to bring a particular brand in and have their experts look at it to tell if this was real or fake,” Shapiro said.

Hijacking a brand’s identity

One way counterfeiters get their items on e-commerce sites is hijacking well-known brands by duping the U.S. Patent and Trade Office. Then, they sometimes can register on e-commerce sites such as [Amazon](https://www.amazon.com/).

Steven Shapiro is the FBI's unit chief for intellectual property rights.

Source: CNBC

Dyan Finguerra-DuCharme, a partner at law firm Pryor Cashman who specializes in intellectual property, including trademarks, says it's happened to her clients.

"[The counterfeiters] file a document with the trademark office that says, 'Our email address has changed.' Then they go over to the Amazon brand registry and they say, 'We're the owner of this mark.' And they give their email," she said. "Amazon then looks at the USPTO records and confirms the email. At that point Amazon gives them access to all of their tools, as the rightful brand owner. With access to those tools, they can take down legitimate product. And they can ensure that their own counterfeit product is sold on Amazon."

Amazon's Brand Registry is designed to help brands protect their "intellectual property and create a trusted experience for customers on Amazon," according to the program's website.

"Amazon's proactive technologies and services for protecting brands, including Brand Registry, are increasingly effective. As a result, bad actors are attempting to find new ways to abuse our protections. We are working closely with brands, the USPTO, and others to continue to strengthen our protections and stay ahead of these bad actors," said an Amazon spokesperson in an email. The company declined to provide any more details on its Brand Registry program.

Amazon said it strictly prohibits the sale of counterfeit products.

"We also work closely with vendors, sellers, and rights owners to strengthen protections for their brands on Amazon," the spokesperson said in part. "We remove suspected



When the USPTO receives a change of address for an email on a trademark, they send out an email to the old address to confirm, according to Finguerra-DuCharme.

There are no stats on how many times the scheme has happened, since it is relatively new. “For my clients alone, I’ve received about 12 or 15 of these email alerts,” she said.

Dyan Finguerra-DuCharme is a partner at law firm Pryor Cashman and specializes in intellectual property, including trademarks.

Source: CNBC

The issue has reached the FBI’s attention.

“They’ll [the counterfeiters] communicate with the Patent and Trademark Office as if they are the actual brand-holders, in an attempt to change the contact information and things along those lines, to make them seem like they are in control when they’re certainly not,” Shapiro said.

“USPTO takes very seriously the issue of fraudulent, unauthorized, or otherwise improper submissions and is engaging in active measures to identify them, prevent them from being processed, and mitigate any harm caused by such filings,” an agency spokesperson said in an email.



The reason for the email changes may come back to trade wars. “There are some that feel that as tariffs increase and other policy issues come along, that counterfeit is seen as an alternative route towards making additional profits,” Shapiro said. He added that counterfeiting is potentially a way to circumvent any possible new rules.

The uptick in counterfeiting cannot be tied solely to trade wars. Shapiro said it’s too early to tell and could just be related to increases in e-commerce sales.

Preventing fraud

For brands, the best way to protect yourself is to use a monitoring service.

“There are services that allow you to monitor the Patent Trademark office filings and postings and changes of record,” Shapiro said.

Consumers should check if a retailer is an authorized seller before purchasing items. Brands often list authorized retailers online, according to STOPfakes.gov. Also, keep an eye out for taxes or other fees. Often counterfeit sellers will not charge sales taxes or other fees, even in states with sales tax, according to the government website, which is dedicated to counterfeit education. And beware of price.

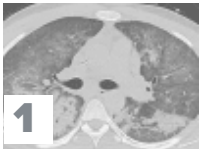
“If the price is too good to be true, then it’s probably a counterfeit,” Russo said.

The JFK International Mail Facility, which 60 percent of international mail arrives at, is on the front lines stopping counterfeit goods.

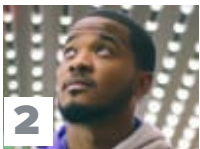
Source: CNBC

If you get a suspected counterfeit item, report it to the FBI at [IPRCenter.gov](https://iprcenter.gov).

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