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PRACTICES USED BY ONLINE MARKETPLACES TO TACKLE THE TRADE IN COUNTERFEITS[*]

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ABSTRACT

Online marketplaces have developed over the past 20 years into a vigorous, innovative and hugely successful industry. It supports large corporations and empowers emerging entrepreneurs by connecting them with customers across the globe. However, there is a dark side to this success: it also facilitates the trade in counterfeit goods. In contrast to other facilitative industries, such as logistics and payment providers, online marketplaces attract special attention because the visibility of the counterfeits in their shop windows create obvious opportunities for controlling the illicit trade. This report presents the findings of exploratory research into the practices used by a sample of online marketplaces to tackle the trade in counterfeits. It finds that a small minority of the platforms implement meaningful anti-counterfeiting policies. Due to the variety of business models in the market, the report recommends a risk-based approach for a common anti-counterfeiting framework rather than a prescriptive menu of practices.

EXECUTIVE SUMMARY

The illegal trade in counterfeit goods poses a significant threat to the free-market system, hindering progress and endangering societal welfare. The forces of globalization and the digital economy have allowed counterfeit manufacturers to access global markets, transforming counterfeiting into a massive global industry. The estimated value of international trade in counterfeit goods in 2019 was USD 464 billion, equivalent to 2.5 per cent of world trade. The demand for counterfeit products is facilitated by intermediary online marketplaces which connect illicit suppliers with consumers across the globe. This report explores the extent to which a range of 36 practices are adopted by the marketplaces. The study used a mixed methodology: an examination of the published policies and practices of 50 marketplaces and 16 technology providers, a compliance test on the marketplaces and technology providers, and interviews with industry stakeholders.

The study finds that just eight of the 50 sampled marketplaces have coherent anti-counterfeiting strategies in place and all eight passed the compliance test. Four of these marketplaces are generalists, which sell a wide range of products, and their anti-counterfeiting strategies are based on a wide range of administrative controls. The other four are specialists and their control strategies are based on inspecting and verifying the authenticity of products.

The other 42 marketplaces do not have coherent strategies in place and 60 per cent failed the compliance test. Some are indifferent to the counterfeit problem. Others are simply engaged in window-dressing, that is their actions fall short of the values and intentions proclaimed in their policies. The social media sector is notably deficient in delivering on its own policies. The investment in anti-counterfeiting strategies falls well short of that required to serve the sector's business model.

The rapid innovations of technology providers are leading to the integration of marketing and physical logistics across multiple platforms, which increases the reach, agility and operational efficiencies of legitimate and illicit sellers. However, just one of the technology providers sampled has implemented meaningful policies; the others have not recognized the problem.

Weak verification processes are a fundamental problem within the industry that undermines the ability to control illicit merchants. In particular, the practice of "adopted verification", whereby a marketplace accepts new sellers because they are already trading on another marketplace, spreads the operational reach of illicit traders.

The shortcomings in the ethical technologies that control and disrupt bad actors means that anti-counterfeiting strategies remain heavily reliant on professional relationships with stakeholders, which favors the large brands with clout. To compensate for the technology gap, the industry currently needs to invest in recruiting sufficient professionals possessing a diverse set of inter-personal, commercial, intellectual property and problem-solving skills.

Obstacles to effective collaboration need to be addressed, including the inadequacies in data sharing. The trend towards technology-driven integration of marketing and logistics makes data sharing with all stakeholders and between competitors even more crucial. This also means recalibrating the high evidence thresholds which hinder collaborative investigations and favor the illicit merchants.

Considering the complexity, the range of actors and the variety of business models within the industry, the report recommends that the industry should consider a generic, risk-based framework for tackling counterfeits rather than a prescriptive formula. This would enable marketplaces to develop strategies to cope with the scale and complexity of their own business models. Such strategies fundamentally depend on ethical leadership, meaningful and transparent anti-counterfeit policies, and sufficient resources, all of which are currently absent in many marketplaces.

CONTENTS

I. INTRODUCTION

1. Intellectual property rights are a cornerstone for fostering innovation within the free-market economy and bolstering the well-being of people. They play a pivotal role in affording creators and innovators the necessary safeguards to invest in their imaginative ideas and the cultivation of their brands. Furthermore, intellectual property rights serve as crucial indicators for consumers, providing signals of the origin, quality, and safety of specific products, typically through the use of trademarks, logos, slogans, and unique designs.

2. The unlawful trafficking of counterfeit goods has a direct and detrimental impact on the free market, obstructing progress and jeopardizing the welfare of society. The forces of globalization and the digital economy have granted counterfeit manufacturers access to worldwide markets, so it is now a huge global industry. The value of international trade in counterfeit goods in 2019 was estimated at USD 464 billion, the equivalent of 2.5 per cent of world trade, the majority of which originated in China/Hong Kong (OECD & EUIPO, 2021). The impacts are well documented: loss of economic output, loss of tax revenue, loss of legitimate jobs, underpaid workers and labor abuses, and dangerous products that cause injury and death (Chaudhry, 2022; Wilson, 2022). Yet, many consumers are complicit in the trade by creating the demand for counterfeit products. In their survey across 17 countries, Alhabash et al. (2023) found that nearly three-quarters (74 per cent) of consumers purchase counterfeit goods in the prior year, 68 per cent were deceived into buying counterfeits at least once in the prior year, 52 per cent knowingly purchased counterfeits at least once in the prior year, and 21 per cent were habitual knowing buyers.

3. This demand has been facilitated by the advent of e-commerce through intermediary online marketplaces which connect illicit suppliers with consumers across the globe. The worldwide value of e-commerce sales in 2022 was in excess of USD 5.7 trillion and is expected to grow to USD 8.1 trillion in 2026 (van Gelder, 2023)[1]. The total gross merchandise value (GMV) transacted through Alibaba Group alone in 2022 amounted to USD 1.3 trillion including USD 54 billion to overseas buyers in over 190 countries (Alibaba, 2022). The group's platforms have 1.3 billion active users, which is 16 per cent of the world's population (United Nations, 2022). The counterfeit manufacturers have exploited the opportunities presented by this burgeoning industry to peddle their illicit wares. According to Alhabash et al. (2023), 39 per cent of global consumers purchase counterfeits via online platforms.

4. Eyeing the opportunities, some social media platforms have launched their own shopping channels. Meta launched Facebook Marketplace in 2016 and had one billion users by 2021 generating USD 26 billion GMV (Simplicity, 2022). Over a third (39 per cent) of global consumers buy counterfeits through social media platforms, including 27 per cent via Facebook (Alhabash et al., 2023). Indeed, Meta's platforms are the top three social media channels for buying counterfeits: Facebook is the most popular destination (68 per cent of social media buyers) then Instagram (43 per cent) and WhatsApp (38 per cent). They are followed by Google's YouTube (30 per cent) and then Telegram (20 per cent) (Alhabash et al., 2023).

5. These statistics suggest that the online marketplace industry is struggling to contain the counterfeit problem. Further, the expected 50 per cent growth in e-commerce sales is likely to be accompanied by an increased demand for counterfeits and put more pressure on those controls. This study was commissioned by the World Intellectual Property Organization to explore the extent to which online marketplaces have adopted anti-counterfeiting policies and practices.

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[1]   Includes first-party and third-party sales.

6.   Section II of the report sets out the methodology, which involved three methods: a documentary examination of the published policies and practices of a sample of marketplaces and technology providers, a compliance test on the marketplaces and technology providers, and interviews with stakeholders. Section III describes the online market industry encountered in the research, the different types of marketplaces and the role of technology providers in integrating market logistics, making it easier for traders to market counterfeit goods. Section IV provides an analysis of the rates of adoption of anti-counterfeiting practices in the sample of marketplaces and technology providers. Section V provides an analysis of the compliance test and discusses the ethical orientation of marketplaces. Section VI discusses the prevalence of anti-counterfeiting practices, drawing on the interview data. Section VII develops the themes arising from the interviews. Section VIII brings together and discusses the principal key themes arising from the documentary analysis, compliance test and interviews. It suggests a way forward for the industry based on the development of a generic, risk-based framework as opposed to a prescriptive menu of practices. Section IX concludes the report by summarizing the research.

II.   METHODOLOGY

7.   The research involved a mixed methodology: a documentary examination of the publicly available material on websites, a compliance test and interviews with stakeholders. The documentary/webpage examination provides quantitative insight into the anti-counterfeiting policies and practices of the industry sector. The initial intention was to restrict the documentary examination to online marketplaces. However, it quickly became clear that the industry has evolved into a complex ecosystem with a range of actors who contribute to the functioning of the industry. Consequently, the research was extended to encompass technology providers. As there are often differences between organizations' portrayed values and enacted values, the compliance test and the interviews provided some insight into this reality gap.

A.   DOCUMENTARY EXAMINATION

8.   Due to the exploratory nature of the research, the sample frame (n=70) for the documentary analysis of the marketplaces is non-probabilistic (Table 1). Some of the marketplaces were selected simply because they are well-known, whilst a search was conducted in order to obtain a geographical spread, and some were encountered by chance. The selection of technology providers was also found by unstructured searches and chance encounters. Google Translate was used for sites which did not provide versions in English, so the examination of these sites relied on the accuracy of translation. Two marketplaces were abandoned because Google Translate failed to recognize the original language. The list of sampled businesses is in Appendix A.

9.   The assessed web pages and documents included portrayed values, company policies, guides and instructions for buyers, sellers, brand owners and law enforcement. Their contents were examined for the presence or absence of 36 anti-counterfeiting practices (Appendix B) collected from existing literature (EC, 2018; EUIPO, 2021; INTA, 2021). A sample of three product listings on each marketplace was used to determine whether they disclose the identities of sellers and the provenance countries of products. In addition, because the presence of counterfeits was so obvious on some platforms, a 2-minute compliance test was introduced.

Table 1: Sample business types

Business types	Sample
Marketplaces	44

Social media/search engine marketplaces	6
Technology provider	16
	70

B. COMPLIANCE TEST

10. The 2-minute compliance test involved a rapid search of each marketplace to detect the obvious presence of counterfeits. The marketplace's search systems were used to search for well-known, high-value brands within their listings. Obvious counterfeits were identified based on logos, price, provenance country, sellers' descriptions, buyer comments and Google image searches. The researchers allowed themselves just two minutes to find suspect products. In most cases, they were found in seconds. Indeed, searches were unnecessary in three cases because the counterfeits appeared on the platforms' homepages. The 2-minute test is a blunt measure of the reality gap. Nevertheless, it is a strong indicator of the quality of the management controls that the platforms claim to have in place.

C. INTERVIEWS

11. Interviews were conducted with 14 stakeholders, and a convenience sample was recruited via professional networks (Table 2 and Appendix C). All the interviewees were professionals. The representatives of the brand owners all work in intellectual property (IP) protection. The marketplace representatives have leadership roles in tackling counterfeits on their platforms. The trade associations are involved in developing IP protection capacities. The brand protection firms provide protection services to brand owners. The representative from the financial sector had extensive leadership experience in the payment card sector.

Table 2: Interview sample

Interviewees	Sample
Brand owner	5
Marketplace	2
Trade association	3
Brand protection firms	2
Law enforcement	1
Bank	1
	14

D. LIMITATIONS

12. It is important to be aware of the research limitations, which we set out below.

– The scope of the research is restricted to online marketplaces that sell products; it excludes those that only sell services (e.g. Airbnb, Booking.com) and financial services (e.g. Confused.com, GoCompare).

– Both the documentary and interview elements are based on small, non-probabilistic and unrepresentative samples. We had hoped to engage with more marketplace representatives, but we found accessing them difficult.

-    The evaluation of the marketplaces is primarily based on what they claim they do in their published materials. It is therefore possible that they implement more or less practices than they claim.

-    The research does not evaluate how well each of the policies and procedures are implemented, nor their relative contribution to the control of counterfeits. Assessing the qualities of implementation and effectiveness would require an in-depth audit of management controls similar to those used for quality management systems[2].

-    Although the 2-minute test is an overall measure of the effectiveness of controls, it is a binary test based on obvious fakes. It would be a major undertaking beyond the scope of the current study to quantify the extent to which platforms are infected by counterfeits with statistical confidence. Such research would require access to the platforms' detection data or collaboration with rights owners in a representative program of test purchasing.

III.   ONLINE MARKET INDUSTRY

A.   MARKETPLACES

13.   The complexity of the marketplace industry reflects the level of innovation that sparked it into life and continues to drive it forward. Some of the marketplaces emerged from traditional bricks-and-mortar retailers, others developed from businesses providing "classified ads", whilst the recent entrants have typically focused solely on the online marketplace model. Consequently, the business models, target markets and service offerings vary considerably: a wide product range or specialization, new products or used products, and even personal or business services. Marketplaces that look similar at first glance can follow very different business models. The implication is that the management controls relevant to a marketplace depend on its business model. This variety means that a common understanding of an "online marketplace" remains difficult (Burdon, 2021). The complexity of the industry observed in the initial stages of the research led us to define the term "marketplace" in order to control the parameters of the research:

14.   A marketplace is a virtual retail estate under a single internet domain that provides a means for registered third-party sellers to advertise their products and for buyers to search for and purchase products.

15.   This definition is so broad that a typology is required to appreciate the complexity of the industry and the scope of the research. The typology developed for the current study is set out in Table 3. Although the boundaries between the categories are blurred, the typology illustrates why the controls required to manage the counterfeit problem depend on the business type.

a)   Generalist Marketplaces

16.   The generalist marketplaces are mainly orientated to business-to-consumer (B2C) (e.g., Aliexpress) and business-to-business (B2B) (e.g., Resposten) sales, though some also enable the consumer-to-consumer (C2C) sale of new or used goods (e.g., eBay). They provide a structured platform for individuals, sole proprietors and larger businesses to advertise, sell and transact payments for new products. Some generalists are hybrid structures whereby an open

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[2]   ISO9001 a very widely used quality management system.

marketplace has been added to, or merged with a traditional retail business, for example, Fnac and Walmart. Amazon famously started as an online book retailer.

b)   Classified Ads Marketplaces

17.   Two key features of the classified ads marketplaces differentiate them from the generalist marketplaces. Firstly, they provide a structured marketplace for C2C sales of used and new products. Secondly, they also typically advertise a very wide range of B2C and B2B products and services. Leboncoin in France, for example, advertises clothes, jewelry, cars, crop harvesters, holiday property rentals, private education, job vacancies, and real estate. Marktplaats in the Netherlands includes adverts for clothes, fashion accessories, cattle, dogs, swimming pools, cranes, website creators and childcare services. One consequence of the business model is that many sellers are fleeting, appearing just once or very occasionally to sell lower value used goods. A second consequence is that many of the transactions and opportunities rely on the 'buyer beware' principle so that buyer protections are limited or not available at all.

c)   Social Media and Search Engine Marketplaces

18.   Social media and search engine marketplaces, for example, Facebook Marketplace and Google Shopping, are similar to the classified ads marketplaces. They are B2C and C2C platforms that advertise a very wide range of new products, used goods as well as services. The listings include heavy excavators, vehicles, holidays, food, property sales and rentals as well as clothes, fashion accessories, toys and so on. The listings either link to retailers' websites or invite buyers to message the seller, which is typical for private C2C sales. Like the classified ads platforms, the content is highly volatile with many sellers appearing just once or very occasionally.

d)   Specialist Marketplaces

19.   Specialist marketplaces focus on a narrow range of products. The four specialist marketplaces in Table 3 connect sellers and buyers of new and used collectables and luxury items. As their business models are founded on ensuring the authenticity of the products advertised and sold through their platforms, all four conduct authenticity inspections and provide authenticity guarantees. Klekt is an auction site for sneakers. StockX is mainly known for sneakers but has expanded into luxury clothing, accessories and some electronics. Vestiaire Collective and The RealReal focus on used or "pre-owned" luxury fashion and accessories. The level of trade through these marketplaces is significant. The RealReal has facilitated the sale of 34 million high luxury items since it started trading in 2011[3] and Vestiaire Collective physically authenticates 40,000 items each year[4].

e)   Source Integrator Marketplaces

20.   Although the "source integrator" platforms have the appearance and functionality of a generalist marketplace, they are actual productivity tools that support the dropshipping business model used by professional buyers. Dropshipping is a stockless retail sales order and fulfilment method. When an online merchant sells a product, it purchases the item from a third party and

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[3]   From The RealReal website: https://promotion.therealreal.com/therealreal-experts/.
[4]   Vestiare Collective Trust Report 2022: https://www.vestiairecollective.com/journal/trust-expert-authentication/.

the third party ships it directly to the customer. The source integrator platforms provide the dropshippers with a single window for searching the offerings across several marketplaces. By integrating sources from multiple marketplaces, they enable the dropshippers to efficiently search for products across multiple marketplaces, evaluate alternatives, purchase products, and organize deliveries.

f)   Illicit Marketplaces

21.   Illicit marketplaces sell only counterfeit goods. "EasyFakes"[5] is based in China, though it uses the Russian domain suffix. As its name suggests, it focuses on peddling counterfeits of luxury clothing and accessories. On September 4, 2023, the platform advertised 152,817 stock-keeping units (SKU). A week later the inventory had grown by 1,800 to 154,617 SKUs.

Table 3: Typology of marketplaces

Marketplaces	Sample
Generalist	30
Classified ads	7
Social media/search engine	6
Specialist	4
Source integrator	2
Illicit	1
	50

B.   TECHNOLOGY PROVIDERS

22.   Whilst all the online marketsplaces are based on computer technology, it is important to distinguish between the marketplaces and the specialist technology providers who support the operation of the marketplaces. The primary purpose of these providers is to increase the efficiency of businesses using logistics tools. The source integrator marketplaces previously referred to are technology providers, though they look like marketplaces. This study examined 16 technology providers. Table 4 is a typology of the providers based on their advertised services. The assessments were very brief because the policies of nearly all the technology providers do not even mention counterfeits. This suggests that they either are unaware of the counterfeit problem or do not view it as their responsibility. The research found one exception, an enterprise firm, which does have a range of policies and procedures and has an in-house team dealing with fraud and counterfeits.

Table 4: Typology of technology providers

Technology providers	Sample
Component - feed integrator	6
Component - site hosting	3
Component - source integrator	2
Component - web site builder	2
Enterprise package	3
	16

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[5]   "EasyFakes" is a pseudonym for a real marketplace.

a)   Component Providers

23.   Some of the providers sell specific technological components including website hosting and logistics management. For example, Neteven and Sellermania are 'feed integrators'. Their technology tools enable small merchants to upload product listings simultaneously onto several marketplaces. AutoDS and Spocket are 'source integrators': they integrate the selected multiple marketplaces into dropshipping tools.

b)   Enterprise Package

24.   There is also a group of technology providers which provide complete enterprise packages. Shopify is a prominent example. It provides the tools for small merchants to build online stores, advertise their inventories, process customer transactions and manage logistics. It is different to the marketplaces in that the stores hosted by Shopify are individual websites rather than stores within a marketplace. Hosted stores are a very important component of the market: 4.36 million independent Shopify websites generated USD 105 billion in the first two quarters of 2023 (Demand Sage, 2023). However, the drive for integrated efficiency means that merchants can incorporate other technologies, for example, by using a source or feed integrator, a merchant can post or modify offerings simultaneously on their website and in their stores on marketplaces.

C.   MARKET LOGISTICS

25.   The online market for counterfeit goods is far more complex than was envisaged at the start of this project. A sample of products was traced back through the supply chain to help build a picture of the market structure. All the products traced were counterfeits of luxury goods and they all originated in China. Figure 1 is not at all complete as it shows just the four routes encountered in this research. Nevertheless, it illustrates that the online marketplaces are just one element in the global trade. They attract special attention because they are the nodes where the illicit products are visible. The diagram is effectively divided into two zones, source and destination, centered on the merchant who sells counterfeit products to consumers. The source is China. The destination is the marketplace or social media consumer in, say, Europe.

26.   The Chinese-manufactured counterfeits are acquired or managed by Chinese resellers. The resellers sampled seem to be opportunists who manage whatever products they can get hold of rather than focus on specific categories. The resellers advertise the products on Chinese marketplaces. There are then four routes to the consumer.

27.   Route 1 – A sophisticated European merchant uses a source integration tool to locate counterfeits from several source marketplaces. The merchant uses a feed integration tool to advertise the products at a marked-up price on their hosted store, several destination marketplaces and social media. A European consumer orders a product from one of the local marketplaces which triggers the dropshipping technology to order the product from the Chinese manufacturer or reseller and arranges for delivery to the consumer.

28.   Route 2 – A Chinese merchant, who may be the source reseller, creates a ghost identity in the destination market to register with destination marketplaces. An order placed on the destination marketplace by the European consumer triggers the dropshipping transactions.

29.   Route 3 – A social media influencer promotes a counterfeit product and provides a link to the source marketplace. The European consumer then purchases directly from the source

marketplace. The introduction of shopping tools onto social media platforms simplifies the transaction process as the product can be ordered directly from the platform.

30.　　Route 4 – The consumer buys directly from the source marketplace.

31.　　The role of social media influencers in promoting counterfeits has attracted recent attention (Chaudhry, 2022; Shepherd et al., 2021). Shepherd et al. (2023) found that 22 per cent of UK adults, who are aged 16 to 60 and are active online, buy counterfeits. The "ghost merchants" refer to illicit merchants who create false identities or try to obfuscate their identities in order to appear legitimate. We found illicit merchants on a UK marketplace hid their real identities by using accountancy firms or business service providers to register UK companies at Companies House. However, these ghost merchants were easily traced to China.

Figure 1: Market logistics
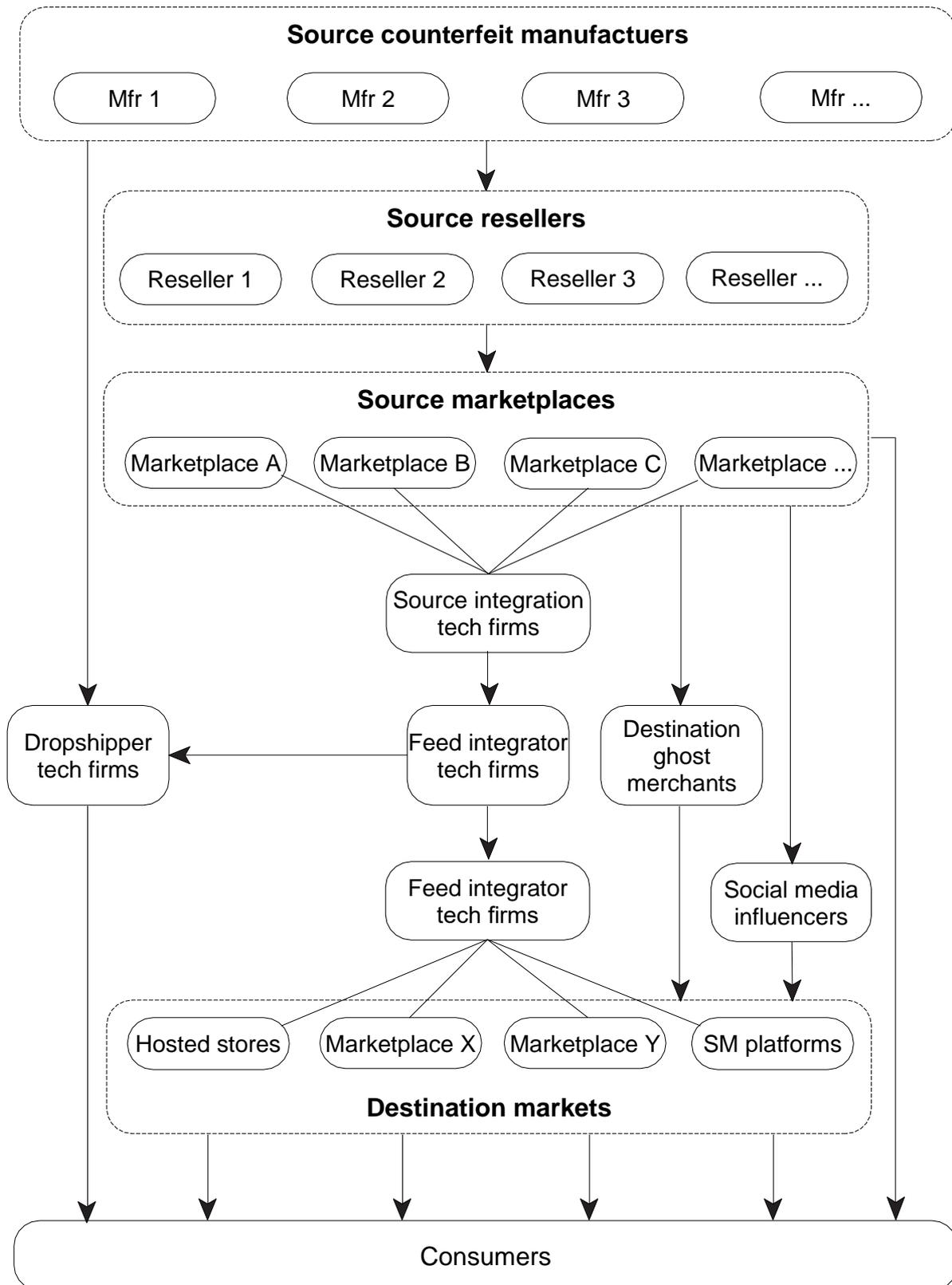
IV.   ADOPTION OF ANTI-COUNTERFEIT PRACTICES

32.   Each of the entities were examined for the presence of the 36 anti-counterfeit practices (Appendix B) and allocated a practice score between zero and 36. Table 5 sets out the frequency of scores. Just four businesses (6 per cent), all generalist marketplaces, are scored at 30+. There is a large gap to the next highest score (21), five businesses score 20 or 21, and the clear majority (86 per cent) score below 20, with 41 per cent below 10. Focusing solely on the marketplaces, 84 per cent score below 20 and 24 per cent below 10.

Table 5: Anti-counterfeit practice score

	Marketplaces		Technology providers		Total	
Score range	No.	%	No.	%	No.	%
30-36	4	8%	0	0%	4	6%
25-29	0	0%	0	0%	0	0%
20-25	4	8%	1	0%	5	8%
15-19	14	28%	0	0%	14	21%
10-14	16	32%	0	0%	16	24%
5-9	8	16%	0	0%	8	12%
0-4	4	8%	15	94%	19	29%
Total	50	100%	16	100%	66	100%

33.   Figure 2 plots the average, minimum and maximum scores for each of the business types. The social media and search engine platforms are combined to preserve anonymity. The pattern reflects the differing business models.

Figure 2: Anti-counterfeit practice score for business types
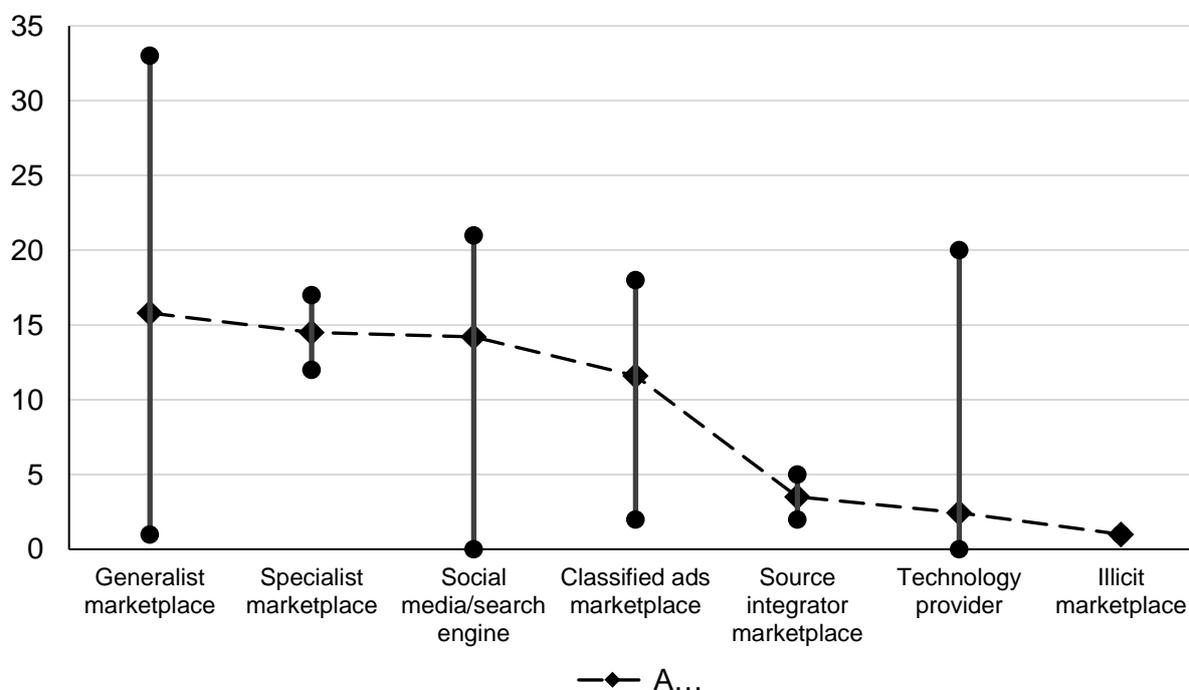
A.   GENERALIST MARKETPLACES

34.   The 30 generalist marketplaces have the highest average score (15.8), but the widest spread (0 to 33). Just four (13 per cent) of the generalist marketplaces achieve practice scores of 30 or above. The remaining 26 (87 per cent) are falling behind with scores less than 21 and 6 (20 per cent) score less than 10.

B.   SPECIALIST MARKETPLACES

35.   The four specialist marketplaces have a similar average score (14.5) with a narrow range between 12 and 17. The relatively low score is in part a consequence of their business models and their core competencies in detecting counterfeits. All four firms provide marketplaces for high-value, pre-owned luxury and collectable items with authenticity guarantees. As a consequence, they have substantial anti-counterfeit resources involved in product inspection and three indicate that they destroy all counterfeits found at inspection. On the other hand, they avoid publicly disclosing the identities of sellers, many of whom are individuals, which is a reasonable security precaution considering the high values of the products. Their business model also explains why, for example, they do not provide a list of prohibited products, they do not provide bespoke reporting methods for rights holders or agents, and they do not engage with rights owners through brand protection programs. Indeed, Participant H noted that luxury and collectible brands are reluctant to engage with independent authentication teams because they distrust the authenticators' competencies.

C.   SOCIAL MEDIA AND SEARCH ENGINE MARKETPLACES

36.   The six social media/search engine platforms also have a similar average score (14.2). Although their business models are very different to the structured marketplaces, relying on links in highly fluid media content and search results, this does not explain their lower maximum (22), nor the total indifference of one platform with a zero score. It seems that this section of the market has not fully considered the measures required to mitigate the counterfeit problem.

D.   CLASSIFIED ADS MARKETPLACE

37.   As the classified ads marketplaces offer the most heterogeneous range of products and services with an emphasis on occasional sellers and lower value recycled products in the C2C market, counterfeits may be perceived as remote risk or not recognized at all. One classified ads business was genuinely shocked when Participant K revealed the extent of his brand's counterfeits on its platform. The marketplace immediately took action to remove the listings. However, the complexities of the classified ads business model do not excuse the shortcomings reflected in the relatively low average (11.6) and maximum (18) scores. This sector too needs to fully recognize the threats and consider the required mitigation measures.

E.   SOURCE INTEGRATOR MARKETPLACE

38.   The source integrator marketplaces present a particular challenge due to the logistics technology basis of their business model. By providing a transactional window into multiple marketplaces, they assume responsibility for transactions and the delivery of goods such that they refund buyers for non-delivery and for products damaged in transit. However, despite recognizing the counterfeit problem, they avoid any responsibility for product quality or

counterfeits. One of the platform's terms explicitly states that it will not refund claims when "…. the product description is not real." The average score (3.5) for the two source integrators is indicative of their attitudes to counterfeits.

F.   TECHNOLOGY PROVIDERS

39.   The technology providers generally do not acknowledge any accountability for facilitating the illicit trade. The exception is one technology provider with a score of 20, which provides an enterprise package, does acknowledge the counterfeit problem and has put measures in place. The other 15 have not engaged with the problem, including two providers of enterprise packages.

G.   ILLICIT MARKETPLACE

40.   EasyFakes, the sole representative of illicit marketplaces, is very honest about its purpose and business model in focusing solely on peddling counterfeits and a lot of them. Nevertheless, it does score a point because it offers methods for secure, international payments, including Visa, Mastercard, Discover, Amex, PayPal and Western Union. This must raise concerns about the due diligence methods of the payment providers.

V.   COMPLIANCE TEST AND ETHICAL ORIENTATION

41.   If a person who is unskilled in identifying counterfeits can find them within two minutes, why can't the platforms? This is the crude basis for the 2-minute test and the results provide a useful insight into the effectiveness of the counterfeit controls in the online market. The analysis excludes all the technology providers because it is not possible to apply the test to these businesses.

Table 6: 2-minute compliance test

Marketplace type	Sample size	Pass 2-minute test	Pass %
Specialist marketplace	4	4	100%
Generalist marketplace	30	18	60%
Source integrator marketplace	2	1	50%
Classified ads marketplace	7	2	29%
Social media/search engine	6	0	0%
Illicit marketplace	1	0	0%
Total	50	25	50%

42.   Overall, half the marketplaces passed the compliance test (Table 6). The specialist marketplaces perform the best followed by the generalist marketplaces. The social media/search engine sector performed badly because the presence of counterfeits is very obvious and highly prevalent. This sector is faced with a particular challenge in controlling counterfeits because its purpose and existence are based on high volumes of volatile postings, and much of the source data is outside its control. For example, the counterfeits found on

social media and search engine channels were advertisements for illicit merchants on linked marketplaces. In some cases, they linked directly to the source marketplaces, including EasyFakes; in others they linked to destination marketplaces, which in turn linked to source marketplaces (see Figure 1).

43. These examples illustrate why digital integration across the industry is a big problem as it builds resilience into the illicit trading model. Integration makes it very easy for illicit merchants to pursue multi-channel marketing and, if their products are banished from one marketplace, they simply focus their marketing energies on alternative platforms. The social media platforms provide a very easy, effective and compliant means to redirect consumers.

44. Ethical orientation is an alternative way to view the marketplaces. Compliance-orientated businesses genuinely seek to comply with rules, assess their vulnerability risks and implement effective measures to mitigate the risks (Weaver & Tevino, 1999). Concerning counterfeiting, the four specialist marketplaces are compliance-orientated: they have implemented effective measures, and they all passed the 2-minute test. Triangulation between the data sources indicates that four generalist marketplaces are also compliance orientated: they have practice scores of 30 or more, they all passed the compliance test, and they earned generally favorable comments from participants. These eight marketplaces give the impression that they have taken the development steps advocated by Wilson and Grammich (2022) in their Total Business Solution approach. They have recognized the problem, assessed the risks, developed a mitigation strategy, implemented the strategy, as well as measured and assessed performance.

45. Compliance orientation does not mean that these eight businesses are perfect, that they are free of counterfeits, nor that they are doing all they can. It means that they have developed stronger resilience than their peers: they are more likely to succeed in tackling counterfeits because they have specific measures (specialists) or a wide range of measures (generalists) that suit their business models.

46. The ethical disposition of the other 42 marketplaces is at best dubious and in EasyFake's case is overtly unethical. The practice scores for all these platforms was less than 22, and the majority (60 per cent) failed the compliance test. The ethical orientation of some of these platforms appears to be window dressing because their performance does not match their claimed values (Weaver et al., 1999). Five of the social media/search engine platforms are the most prominent examples of window dressing orientation. The obvious pervasiveness of counterfeits we found on these platforms conflicts with their proclaimed intolerance of counterfeits in their published policies. It also supports the findings of Alhabash et al. (2023) that social media platforms are very popular destinations for consumers of counterfeits.

47. It is possible that some of the window dressing platforms are in the process of developing their controls, nevertheless, their current performance does not match their rhetoric. For example, four marketplaces scored between 15 and 21 and they offer brand protection programs, but they failed the compliance test and three were identified by participants as especially bad actors. It is also very apparent from the volume of commentary and links across social media that illicit manufacturers, merchants, social media influencers and consumers view these three platforms as destinations for buying and selling counterfeits.

VI. PREVALENCE OF ANTI-COUNTERFEIT PRACTICES

48. Based on the documentary survey, Table 7 lists the claimed adoption rates for each of the 36 anti-counterfeiting measures defined in Appendix B. The marketplaces referred to by the participants are anonymized. The types of marketplaces the interviewees referred to are in Appendix D.

Table 7: Prevalence of anti-counterfeit measures

Activity area	Anti-counterfeit measure	% of platforms
Policy	Anti-counterfeit policy	46%
Policy	Anti-counterfeit terms in T&Cs	88%
Policy	Anti-counterfeit in user guides/FAQs	62%
Policy	List prohibited products	68%
Resource	Anti-counterfeit team	24%
Transparency	Transparency report	22%
Payment	Secure pay	90%
Seller details	Identify provenance country	60%
Seller details	Publish seller identity	54%
Seller details	Verify sellers	44%
Monitoring/control	Active monitoring	34%
Monitoring/control	Brand search facility	70%
Monitoring/control	Detect duplicate accounts	10%
Monitoring/control	Identify repeat offenders	30%
Monitoring/control	Machine learning/AI	18%
Monitoring/control	Seller performance monitoring	28%
Monitoring/control	Volume cap individuals	6%
Report to platform	Brand protection programme	22%
Report to platform	Report system	56%
Report to platform	Report in bulk	12%
Report to platform	Bespoke report system - rights holders	50%
Report to platform	Bespoke report system - agents	42%
Report to platform	Bespoke report system - law enforcement	18%
Report to platform	Rights holder dashboard	16%
Report to platform	Support team	18%
Notification	Notify law enforcement	16%
Notification	Notify rights holders	10%
Notification	Notify sellers	54%
Sanction	Sanction policy	86%
Sanction	Sanction escalation	80%
Sanction	Withhold funds from seller	56%
Sanction	Clear repeat infringer rules	24%
Sanction	Destroy counterfeit goods	8%
Sanction	Refund buyers	54%
Sanction	Sanction fake identities	20%
Sanction	Engage with law enforcement	22%

A.   MOST COMMON PRACTICES

49.   The most common practices are a secure payment method (90 per cent),
anti-counterfeiting terms in the contractual terms and conditions (88 per cent) and a sanction
policy that includes sanctions against sellers for advertising counterfeit products (86 per cent).

The high adoption of secure payment methods is unsurprising as it serves the interests of the platforms. The anti-counterfeiting terms and sanction policies are in most cases defensive, legal conditions that enable the platforms to erase listings, and suspend or terminate sellers. For the majority of platforms, these powers are buried in the contract terms and conditions rather than clearly expressed in separate policy documents: just 46 per cent of the platforms have clear and prominent anti-counterfeiting policies directed at sellers. Sixty-two per cent of platforms include anti-counterfeiting guidance within specific user guides or frequently-asked-questions (FAQ), but they are often buried rather than prominent, thus requiring the diligence of sellers and buyers to search for them. The banning of counterfeits is more likely to appear in a list of prohibited products (68 per cent), but only as a brief mention that lacks impact. These findings are a strong signal that about half the industry does not view counterfeits as a serious problem.

B.   LEAST COMMON PRACTICES

50.   The least common measures are a volume cap on individuals (6 per cent), destruction of counterfeits (8 per cent) and notifying rights holders of infringements (10 per cent). The absence of volume caps on individuals probably reflects the challenges in reliably differentiating between individuals who are occasionally selling products and those running small businesses. Most platforms attempt to differentiate between the two, but their methods typically rely on the honesty of self-declarations. The destruction of counterfeits is a rare tactic because most platforms do not physically handle the goods. With respect to notifying rights holders, rights holder Participant F expressed some sympathy with the platforms. He explained that the platforms rarely notify rights holders or law enforcement agencies because their priority is dealing with customer complaints about counterfeits. Maintaining reputation from the consumer perspective with refunds or replacements is far more important than voluntary disclosures to the rights holders.

C.   VERIFYING AND PUBLISHING SELLER IDENTITIES

51.   Although all the platforms require sellers to register through their online systems, less than half (44 per cent) claim that identities are truly verified. This supports TRACIT's assertion that verification is a widespread weakness (TRACIT, 2020). Indeed, in many cases, the platforms happily pronounce that sellers can complete registration and start selling in minutes. Such speed is indicative of a commercially efficient registration strategy rather than a secure verification process. It also reflects the priority of many platforms to capture sufficient identity information to enable payment services. The implication is that some marketplaces solely rely on the verification processes of the payment providers.

52.   The notion of "adopted verification* is supported by Participant C who explained that some marketplaces, especially the smaller ones with limited resources, are content to register merchants who have been registered on other platforms. This inevitably spreads the infection of illicit traders. Adopted verification is an aspect of the integration problem. We checked a small sample of counterfeit sellers on a UK platform that claim to verify merchants but use adopted verification. The obviousness of the red flags indicated the verification procedures were ineffective:

−   dormant businesses registered at Companies House in the UK;

−   registered addresses were business service providers or accountancy firms;

−   business owners were Chinese nationals who operate stores selling counterfeit goods on a source marketplace in China; and

−   Selling the same counterfeits on the UK platform.

53.   The criteria for registration also vary considerably. For example, some business-to-business (B2B) platforms only allow domestic businesses registered with the local authorities, business registration numbers and taxation details. One platform conducts web interviews as part of the verification process, which has caused anxious commentary on blogs and social media. Conversely, others permit anyone to register with minimal information. We asked representatives of platforms about their verification processes. As Participant E explained, a single process is not possible for international marketplaces due to variances in laws and national identity schemes. His platform checks the identities of domestic sellers based against a national identity register but relies on open-source data for checking the identities of sellers in other jurisdictions. The platform also uses AI to highlight anomalies. Participant E stated that the processes are robust but they could not always account for determined individuals who submitted fraudulent identities because:

> "… bad actors do everything in their power to disguise themselves, to fly under the radar, and they are undaunted by rules and regulations."

54.   Participant E explained that the identity information collected for his platform is required for payment processing. He was unsure how the information was verified but indicated that it involved artificial intelligence algorithms to detect anomalies. Participant H was unfamiliar with the registration process on his platform because it is managed by a different team and the size of the organization meant that inter-departmental communication is poor. The lack of clarity and certainty from Participant E and Participant H illustrate that the effectiveness of anti-counterfeiting strategies is not just dependent on the techniques used, it is also heavily dependent on organizational coherence, effective internal communication and leadership.

55.   A small majority of marketplaces publish both the seller identity (54 per cent) and the provenance country of goods (60 per cent). We do not have a complete explanation as to why some platforms withhold seller identities, but the type of business models and national laws are likely to have an impact. It is arguably reasonable to withhold identities in some cases, for example when it concerns private sellers of used goods on classified ad platforms. Identities on social media are often opaque because they rely on identity disclosure on other platforms or websites. One social media platform reviewed is a magnet for deviant behavior, including openly peddling counterfeits, because its modus operandi is anonymity and obscurity. Inconsistency was also found *within* marketplaces where the seller details were disclosed in full for some merchants but the fields were left blank for others. This problem may be due to a lack of diligence, insufficient resources, or management pressure to quickly open stores before full identities have been captured and verified.

56.   Variance in national laws is also a factor in the disclosure of seller identities. Participant H was certain that his and other major platforms comply with American disclosure laws, but some platforms based in other jurisdictions do not comply. The INFORM Consumers Act came into effect in the USA in 2023 (Federal Trade Commission, 2023). The Act requires online marketplaces to collect the identity details of high-volume sellers, those with annual sales of 200 items and USD 5,000 gross revenues, and to disclose the details of sellers with gross revenues over USD 20,000. It exempts high-volume sellers who operate out of their homes. The exemptions are obvious loopholes that dishonest traders are bound to exploit, especially deviant dropshippers.

D.   MONITORING FOR COUNTERFEITS

57.   Surprisingly few platforms claim to monitor their platforms (34 per cent), which triangulates with the views of brand participants that the controls of most platforms are reactive in responding to reports of counterfeits rather than proactive in their surveillance. The absence of proactive monitoring on some platforms may be due to naivety. Participant K had observed an acute lack of awareness in one classified ads business which emerged as a genuine shock when it was confronted with the scale of counterfeits on its platform. Most of those who do monitor their platforms also publish transparency reports (22 per cent). These provide statistics about the number of reports by rights holders, requests for information and interventions in the reporting period.

58.   A small number (18 per cent) claim they use machine learning or artificial intelligence for monitoring purposes. However, according to Participant H, the sheer scale of the number of sellers and transactions means that even the AI systems on his platform are currently restricted to sampling rather than 100 per cent continuous monitoring. Furthermore, his platform is finding that traditional word and image searches are becoming less effective because counterfeiters are learning how to disguise their fake products. Consequently, Participant H is increasingly using AI to monitor trends in sellers' behaviors. The system flags changes in volumes, values and product types for further investigation.

59.   A further challenge all the marketplaces face is discriminating between genuine and counterfeit listings. The naïve merchants are easier to spot because they do not attempt to disguise the illicit nature of their offerings. Sophisticated traders have developed techniques to avoid detection (Participant C). These techniques include copying brands' original advertising images, blurring brands' images, corrupting brand names and trademarks, and using hidden links within apparently benign content to direct knowing buyers to counterfeits.

60.   Using Google's image search facility, we readily found examples of corrupted and blurred copies of brands' genuine product images and trademarks on both source and destination marketplaces (Figure 1). We also found obvious fakes on destination marketplaces, which originated from suppliers on source marketplaces, that offer brand customization to dropshippers "… with badges and logo embellishment, make the whole bag appear senior elegant, full of temperament". In these cases, the naïve merchants on the destination marketplaces did not disguise the illicit use of the trademarks, but the sophisticated suppliers on the source marketplaces did. These findings suggest that marketplaces ought to expand their monitoring beyond their platforms (see Figure 1) or develop closer cooperation with competitors with efficient marketplace-to-marketplace reporting channels.

E.   SELLER MONITORING

61.   Most marketplaces seem to avoid monitoring sellers. Detecting duplicate accounts is rare (10 per cent), whilst identifying repeat offenders (30%) and monitoring seller performance (28 per cent) are both uncommon. The more sophisticated platforms use performance monitoring techniques mainly to ensure that sellers are providing adequate customer service with respect to payments, delivery, complaints, returns and refunds. Some platforms rely on a points-based (KPI) system, others use a mixture of points and three-strikes. The sale of counterfeits is captured within these performance frameworks when buyers complain. However, this approach only captures complaints from unwitting buyers who have been deceived.

62.   Contractual terms and conditions are typically phrased to absolve the marketplaces of any liability arising from transactions. In practice, some platforms avoid liability by passing the

responsibility for handling buyer complaints to payment providers. Other marketplaces do offer consumers guarantee and refund schemes (54 per cent). These schemes typically require buyers to use the platforms' payment services and some charge an additional fee. All the schemes align with the requirements of payment providers. We examined the rules of two payment providers (Visa and PayPal) and interviewed an expert (Participant L). Payment systems require that a buyer first complain to the merchant and then only request a refund (chargeback) from the payment provider if the problem remains unresolved; they also require evidence that products are counterfeit. The marketplace guarantees schemes follow the same process: first, complain to the merchant and then only complain to the platform along with supporting evidence if it remains unresolved. Consequently, the seller monitoring processes are compromised because they do not detect many of the illicit transactions: when complaints are resolved by the merchants, when buyers do not have the stamina to report cases to the platforms, and when buyers knowingly buy counterfeits. The brand participants recognize these gaps in the data. As Participant F explained, the complaints and guarantee schemes are customer retention mechanisms that aim to resolve customers' problems quickly and efficiently, but they are inadequate tools for monitoring the counterfeit activities of sellers.

F.   REPORTING AND NOTIFICATION

63.   The platforms do provide at least email addresses for complaints. The majority (56 per cent) provide bespoke complaint reporting systems, including the reporting of IP infringements. Half provide reporting systems for rights holders (50 per cent) or their authorized agents (42 per cent) to report IP infringements, but just 18 per cent provide a mechanism for engagement with law enforcement. That half the industry does not have bespoke reporting systems and that just 22 per cent claim to have coherent brand protection programs are overt signals that much of the industry does not view counterfeits as a serious concern.

64.   Reporting in bulk is a contentious issue, but the finding that just 12 per cent allow bulk loading should be viewed with caution because we did not attempt to register as rights holders in order to view the mechanisms and any supporting documents. However, the interview participants identified the absence of bulk reporting tools as a major problem.

G.   SANCTIONS

65.   The clear majority of platforms have some kind of sanctions policy (86 per cent), which usually involves the escalation of administrative sanctions from listing take-downs and warnings, to suspension and termination of sellers. In some cases, notably the specialized marketplaces, the policies also include the destruction of counterfeits (8 per cent). Most marketplaces (56 per cent) use mechanisms in their business models to withhold funds from sellers, which may be used to refund buyers or compensate the platforms for other liabilities arising from deviant behavior. There is clear evidence from transparency reports, comments of participants, and content on blogs and social media that take-downs and terminations are very common occurrences on some platforms. However, the poor results of the 2-minute compliance tests suggest that the interventions in much of the industry are short of where they need to be.

66.   The high prevalence of sanction escalation policies (80 per cent) reflects the industry's desire to educate sellers. Indeed, Participant E explained that the law in China is based on education and that punishment is only imposed when education fails. It is a commendable, socially aware approach which takes into account that many sellers are sole proprietors with an entrepreneurial spirit, who are working from home and have no prior experience of running businesses. The approach acknowledges that sellers make mistakes as they learn how to run their businesses.

67.   Deterrence through criminal prosecution appears to be very rare and there is little evidence that the online marketplaces are clamoring for more support from the law enforcement agencies. Just 22 per cent of the platforms reviewed claim they engage with law enforcement and only 18 per cent provide bespoke mechanisms for engagement with the authorities. Some of these platforms put hurdles in place such that they give the impression that policing agencies are unwelcome and that any kind of legal dispute between rights holders and merchants is a distraction outside their responsibility:

> "Some marketplaces won't respond at all. *MarketT* is very hard to work with because they require court orders for everything." [Participant P]

> "When cases escalate to legal disputes or with law enforcement, they hand it back to us to deal with and walk away." [Participant F]

68.   A key issue within the industry is the lack of clarity on many platforms with respect to rules and sanctions. Although they were clear and coherent on some platforms (24 per cent), we found it difficult in many cases to find and understand their policies and rules. In particular, many platforms fail to link repeat offender rules with sanction escalation. In some cases, the rules and sanctions are in different places and are contradictory. The fractured presentation of rules and sanctions reflects a more general and widespread issue: even when the policies, rules and guidance are provided, they are often difficult to navigate and understand. Considering that sole proprietors and small businesses have little time, a lack of clarity is likely to undermine the anti-counterfeiting messages and the sellers' appreciation of the rules including the sanction consequences for breaking those rules.

VII.   INTERVIEW THEMES

69.   This section provides an overview of the themes that emerged from the interviews in addition to the specific observations reported in the previous section. It is important to emphasize that the participants in this research are not representative of the online market industry. The sample is a small convenience sample, the participants wanted to engage with the research, and it was very apparent that they were all highly motivated in their desire to tackle the counterfeit problem. The findings should, therefore, be viewed in this context.

70.   A positive theme emerging from the interviews is that the governance of online marketplaces with respect to counterfeits has improved over the past 20 years or so. The interviewees believed that the goals of the brands and some marketplaces are now far more aligned, and that collaboration has significantly improved. Several participants, for example, mentioned the common challenge posed by hidden links. This problem is symbolic of the ethical development of the industry: the problem has emerged because the industry *is disrupting* the trade in counterfeits.

71.   There was broad agreement that online marketplaces need to invest in people, techniques, and collaboration with stakeholders to strengthen their resilience against counterfeits. Indeed, the marketplace participants mentioned their further planned investments in anti-counterfeiting resources and technologies. There was also consensus amongst most of the participants that social media platforms are the most problematic with weak controls and "…. Like the Wild West." [Participant C].

72.   However, frustrations and criticisms were expressed by the rights holders, brand protection firms and trade associations in the following specific areas, some of which have been documented elsewhere (EC, 2018; EUIPO, 2021b; INTA, 2021).

A.   WEAK SELLER VERIFICATION

73.   Verification of sellers' identities is a key problem that compromises the ability of platforms to distinguish between individuals and businesses and to identify the bad actors operating illicit accounts. Weak verification also undermines the detection of duplicate accounts registered under pseudonyms. Although the scale of fake identities on marketplaces is unknown, recent research has shown the business models of social media platforms rely on weak verification and that, at any time, there are 500 million fake accounts on Facebook (Button et al., 2023; Moore 2023).

B.   FAILURE TO RISK PROFILE SELLERS

74.   Platforms often lose control of deviant sellers by failing to attach high-risk red flags to their accounts or associated pseudonymous accounts. As a consequence, boomerang bad actors and counterfeit listings often reappear a short time after they have been terminated: "The organized counterfeiters are like Medusas." [Participant J]

C.   INCONSISTENCY IN APPLYING RULES

75.   The platforms are criticized for not consistently applying their own rules in taking down counterfeit listings, as well as suspending and terminating habitually deviant sellers. This gives the brands the impression that some marketplaces are choosing to tolerate repeat offenders. Participant J was more strident in describing the policies and rules of some platforms as, "… bxxxxxxt, just for show," a colorful characterization of the window dressing problem.

D.   SLOW TO IMPOSE CONTROLS

76.   A lack of urgency in imposing takedown, suspension and termination controls means that bad actors are allowed to continue selling counterfeit goods and, in some cases, dangerous goods for long periods.

E.   LACK OF TRUST AND ESCALATING STANDARD OF PROOF

77.   A key problem is the lack of trust between platforms and brands. The brand participants believe the notion of the "trusted flagger", is an anathema to most online marketplaces. Indeed, it appears that the standard of proof to support allegations and the commensurate amount of evidence demanded by platforms is increasing:

    "We have to provide an extraordinary amount of evidence to *MarketX*." [Participant K]

    "Even when the counterfeits are blindingly obvious, we have to do test purchases to prove it to *MarketX*."

78.   The lack of trust is such that some platforms refuse to accept the authentication practices of the brands and insist on doing their own tests. These are fundamental evidentiary issues that delay or completely frustrate interventions.

F.   ABSENT OR INADEQUATE ENGAGEMENT TOOLS

79.   Only a few leading platforms provide effective online engagement tools that allow the brands or their agents to efficiently report infringements and monitor the progress of cases. Most marketplaces do not provide such tools, whilst others are superficial, unresponsive and ineffective. In particular, the participants complained about the lack of bulk reporting mechanisms and the failure to provide adequate search facilities. The lack of bulk reporting is a concern because it is not only an efficient means of engagement, but it also helps to tackle habitual, high-volume crime perpetrated by illicit traders who are effectively organized crime groups.

80.   The platforms further frustrate brand protection professionals by the explicit prohibition of web scraping tools in their contractual terms of use (Participant D). Participant G pointed out that these restrictions force rights holders and their agents into an unfortunate ethical dilemma. On the one hand, infringing the contractual terms is unethical; on the other hand, the utilitarian good arising from the breach of those terms is the disruption of high-volume crime.

G.   UNWILLING TO SHARE DATA

81.   Considering that China (including Hong Kong) produces two-thirds of counterfeits (OECD & EUIPO, 2021), a significant barrier to sharing data about illicit manufacturers and sellers is Chinese law: the Data Security Law and the Personal Information Protection Law, which heavily restrict the transfer of data about Chinese citizens to foreign jurisdictions.

82.   Outside of China, the willingness to share data is patchy and very much dependent on personal relationships. The participants find that some platforms, typically the larger and more mature platforms, are very helpful and responsive in sharing data about counterfeit merchants to support both private and law enforcement investigations. However, most marketplaces either are slow in responding or do not respond to information requests at all, or they erect substantial hurdles, such as demanding court orders. Some platforms simply see information sharing as an unnecessary distraction and some have very limited resources to service the request. Others are willfully reluctant because they are concerned that it would undermine their reputations and relationships with sellers:

> "They're worried about it [*data sharing*] because their sellers and buyers can easily go elsewhere so they want to keep them happy." [Participant F]

> "Reputationally, they don't want to be seen sharing data, especially with the police because it would have an impact on their relationships with their sellers and they're not going to sacrifice the per centage income when they don't have to. They hide behind the data protection laws, using them as an excuse." [Participant P]

83.   Data protection laws are a convenient excuse even when the laws permit data sharing for the legitimate purpose of tackling criminality and pursuing justice. It is therefore unfortunate that lawyers are often too ready to support rationalizations that impede investigations, even lawyers employed by the rights holders:

> "Even our counsel puts obstacles in the way because of personal data and we walk away from cases." [Participant J]

84.   Lawyerly objections may be the cause of Participant M's observations:

"When together in a room, they agree [*to share information*], but then they go away and they can't bring themselves to do it. Something stops them, I don't know what."

H.   LOW PRIORITY AND LACK OF RESOURCE

85.   The participants identified three resource problems: priority, amount of resource, quality and reliability of resource. Tackling counterfeits is not a strategic priority of many platforms. Indeed, Participant B explained that safety is a much bigger priority for his platform: he is far more exercised by overtly dangerous products like guns, knives and illicit drugs. This is an understandable stance, but does reflect Participant D's rhetorical question: "If they can control those products, why can't they control counterfeits?"

86.   As the platforms operate on low unit margins, their business models require high volumes to return a profit (Participant A). The very high volumes of the largest platforms enable them to invest in tackling counterfeits. However, smaller platforms, especially start-ups, are focused on survival and growth:

"New start-ups start by copying the bad templates of existing marketplaces and only later think about dealing with the problem." [Participant J]

"Counterfeiters have moved from *MarketX* and *MarketV* to *MarketY* because it's a recent entrant. They've been unwilling to talk, but now they are starting to engage so we expect them to clean up." [Participant K]

"*MarketS* tries very hard to respond, but there's only one person in their team." [Participant P]

87.   We examined the accounts of the start-up platform *MarketY,* and the bulk of its turnover (excluding gross merchandise value) is reinvested in marketing for growth. It has few employees, it does not have a brand protection program, and it failed the 2-minute compliance test because its website is unfortunately heavily contaminated with counterfeits. Only now, after a few years of trading, has it sufficiently matured and generated spare cash to even consider investing in ethical compliance.

88.   Whilst the brand participants acknowledged that some of the platforms have allocated significant resources to the counterfeit problem, they question the quality and reliability of the resources:

"They have large teams dealing with reports, but they are entry-level jobs so the responses are inconsistent." [Participant G]

"*MarketX* is so large that even internally they don't know who's who." [Participant K]

I.   RELIANCE ON PROFESSIONAL RELATIONSHIPS

89.   The reliability of communication with the marketplaces and the fractured communications within marketplaces are also a recurring theme. The praise heaped on some platforms and the criticism of others is directly linked to the quality of their engagement and communication with the rights holders:

"*MarketX* on top, they have lots of contacts, well-trained experts and very helpful ……
MarketZ is terrible. We used to have an excellent contact, but they moved on and now

it's impossible to speak to anyone…. It's made worse because their departments don't talk to each other. *MarketW* – they reorganised and we lost all contacts so we're getting nowhere with them." [Participant G]

90. Conversely, Participant K praised the constructive relationship with *MarketZ*, describing it as leading the way in tackling counterfeits, but they found *MarketX* very difficult to work with. These polarized contradictions in perceptions and experiences suggest that the anti-counterfeiting performance of even an engaged platform is not uniform across all brands, rather it favors large corporate rights holders with clout and sharp elbows:

"It is about people and depends entirely on how well they get on with each other." [Participant K]

"It's hard enough for us and we're a huge corporation. A small business will really struggle to be heard." [Participant D]

"You have to keep pressing them until they decide engaging with you is easier than ignoring you." [Participant J]

"*Market Z* is very good, we have good contacts with them. *Market V* just wouldn't respond at all until I made such a nuisance of myself and now they're very helpful." [Participant P]

91. The implications of these reported experiences are profound. Firstly, the algorithms of even the industry-leading platforms are currently insufficiently developed to supplant people. Consequently, the anti-counterfeiting strategies of the industry remain highly dependent on effective, problem-solving human relationships. Secondly, the "trusted flagger" concept seems to be based on professional relationships rather than a structured process of trust validation. This implies that online marketplaces favor certain rights holders and enforcement agencies. It also means that collective resilience is likely to be compromised by staff turnover. Thirdly, and most importantly, the anti-counterfeiting efforts across all marketplaces lack a systematic approach to respect the needs of all rights holders. These insights suggest that all the marketplaces need to make substantial investments in employees possessing a diverse set of inter-personal, commercial, intellectual property and problem-solving skills. Such investments are crucial for making substantial progress in addressing the counterfeit problem.

VIII. DISCUSSION OF KEY THEMES

92. With notable exceptions, the picture painted by the analysis is a complacent online market industry that is failing to tackle the counterfeit problem through self-regulation and the implementation of coherent ethical programs. There are examples of businesses which demonstrate good corporate social responsibility, and which have made significant strides in implementing coherent anti-counterfeiting strategies, but this is a minority. Most of the platforms sampled are deficient with respect to their anti-counterfeiting policies and performance.

A. ETHICALLY ORIENTATED PLATFORMS

93. The eight compliance orientated platforms identified in the analysis fall into two groups based on their business models: the generalist marketplaces and the specialist marketplaces. The sheer scale of the generalist marketplaces with huge ranges of products, millions of merchants and buyers, and very high transaction frequencies brings complexity that demands a breadth of anti-counterfeiting controls. A small cohort of large, well-known, mature generalist

marketplaces are distinguishing themselves from the pack by showing industry leadership in implementing a broad, coherent range of policies and practices. Their anti-counterfeiting strategies are based on investment in complex administration and surveillance.

94.   On the other hand, the relative simplicity of the business models pursued by the specialist marketplaces does not require a broad range of administrative controls because it is based on inspecting and verifying the authenticity of products. These contrasting business models and control strategies indicate that it is not practical to produce a common, highly prescriptive set of benchmark guidelines for the entire industry. The requirements of effective control strategies are dependent on the type of marketplace.

B.   DEFICIENT PLATFORMS

95.   The anti-counterfeiting strategies of most of the platforms sampled are weak. At best, their strategies are unable to cope with the scale and complexities of their business models. At worst, they are very naïve or woefully indifferent to the counterfeit problem. Indeed, EasyFakes represents a class of online platforms that qualifies as an organized crime group (Crown Prosecution Service, 2019). The ethical failings of some of these marketplaces make them magnets for illicit traders, including those banished from the ethically orientated platforms. The opportunities they provide for illicit trade are a displacement problem that severely undermines the industry's collective anti-counterfeiting efforts.

96.   Amongst the failing marketplaces are small, immature businesses that are focused on survival and growth rather than corporate social responsibility. Their overriding concern is attracting sellers and buyers to generate income. For them, tackling counterfeits is not a strategic priority, especially as it is not a clearly regulated requirement. The lack of effective regulation means that start-up platforms are not incentivized to implement ethical practices. On the contrary, their rational approach is to copy the existing, minimal practices of ethically deficient platforms.

97.   Other more mature marketplaces are sufficiently concerned about their reputations to develop policies and procedures in order to portray them as socially responsible corporate citizens. A few of these organizations do follow through and implement the policies, but not to the level expected from their published policies. Triangulation of the documentary analysis, compliance test and interview comments indicate that the social media firms sampled are the most prominent examples of window-dressing organizations. Their investment and development in anti-counterfeiting strategies fall well short of that required to serve the scale and complexities of their business models.

98.   The evolving complexity of the online industry is posing significant challenges to ethically orientated marketplaces, brand protection professionals and law enforcement. The delinquent source marketplaces based in China is a particular threat. They are business-to-business marketplaces that feed the illicit stores on destination markets in other countries. This means that, even if a listing or seller on a destination marketplace is closed, the fake products are likely to pop up through a different seller on the same marketplace or other marketplaces. This displacement problem forces rights holders and ethically orientated platforms into a perpetual game of whack-a-mole (Wilson, 2022). The innovations of the advertising and supply chain integrators are exacerbating the problem.

C.   TECHNOLOGY INTEGRATION

99.   With the aim of providing legitimate merchants with increased reach, agility and higher operational efficiencies in support of multi-channel marketing, technology firms are developing tools that are increasingly integrating the industry's logistics: the source and feed integrators. These tools also empower illicit merchants with speed, efficiency and agile multi-channel advertising. They make the illicit traders more resilient to disruptive efforts, exacerbating the whack-a-mole challenge. Yet, our review found, with one very notable exception, that the technology providers' policies ignore their role in facilitating the trade in counterfeits.

100.   The "source integrator marketplace" is an overt example of how integration undermines ethical governance. Although they present the appearance of a generalist marketplace, they are essentially platforms for searching listings on other source marketplaces. As they have no control over those listings nor the sellers who post them, they avoid any responsibility and accountability for the activities of merchants who appear on their platforms. Consequently, the burden of tackling the integration problem currently falls on the online markets. This is unreasonable and the technology firms should shoulder their ethical responsibilities for facilitating the illicit trade. This trend towards integration means that the industry requires an equally integrated response with the technology firms contributing to collective solutions.

D.   INVESTIGATIONS, SANCTIONS AND EVIDENCE THRESHOLD

101.   It is apparent that the application of administrative sanctions, such as the termination of merchant accounts, is highly inconsistent within marketplaces and across the industry. The findings also suggest that marketplaces raise obstacles to investigations by rights holders or law enforcement that might lead to administrative sanctions or prosecutions. The demand for increasing amounts of supporting evidence may be a trust problem, in which case they need to work on developing that trust. However, it also reflects the "proof ratchet" phenomenon identified by Shepherd and Button (2018) in relation to internal fraud. They found that even when there is ample proof, organizations rationalize not dealing with the problem by claiming there is insufficient evidence and demanding more evidence in the hope that the complaint will go away.

102.   Just as businesses generally have a right to deal with whomever they choose (Ofcom, 2022), we are not aware of any regulatory reason why marketplaces are obliged to permit any seller, even legitimate sellers, to use or continue using their services. We are also not aware of any legal reasons that impede a marketplace from setting its evidence threshold wherever it chooses, in favor of the seller, in favor of the rights holder or a balance between the two. The research findings suggest that some platforms are using evidence thresholds as a mechanism to overly favor the sellers and, therefore, their income. This undermines the collective efforts to tackle counterfeits.

E.   COMMON ANTI-COUNTERFEITING FRAMEWORK

103.   Although highly desirable, establishing a common framework of practices for all business models is a substantial challenge. One option is to develop prescriptive menus of practices for each type of market. The appended list of practices drawn from the literature and used by online marketplaces is a reasonable selection. However, the rapidly evolving nature of the industry makes such lists swiftly obsolete. Indeed, the current study has identified key issues to add to the list: leadership, problem recognition, internal cooperation and communication, engagement with stakeholders, and evidence threshold.

104. The alternative is a generic framework that applies to all types of markets and is typical of management standards such as ISO9001 Quality Management systems[6]. With respect to crime prevention, ISO37001 Anti-bribery management systems[7] is relevant to any organization because it uses a risk-based approach: a business undertakes a risk assessment and implements measures to mitigate the identified risks. Similarly, Wilson's Total Business Solution approach to brand protection and tackling counterfeits has broad application because it is risk-based (Wilson & Grammich, 2022). A generic framework would need to address the following thematic areas.

Engaged leadership – The findings suggest that most platforms lack leadership with respect to counterfeits. This calls for stronger messaging and positive engagement by regulators supported by publicized law enforcement action.

Problem recognition – There is evidence that the management of some platforms is unaware of the prevalence of counterfeits and does not acknowledge the problem. This also calls for stronger messaging and positive engagement by regulators.

Internal cooperation – Staff in the large platforms operate in departmental silos that fracture communications and cooperation. Addressing this requires more effective leadership.

Policies – Many platforms do not have clear anti-counterfeiting policies and rules. To be prominent, accessible, and meaningful; they need to be separate from the contractual terms and conditions. The policies and rules of some platforms are difficult to understand and navigate; clarity and restructuring would promote the anti-counterfeiting message and appreciation of the rules, including the sanctions for breaking those rules.

Seller verification – Seller verification is crucial for effective management control, yet the practices of some platforms are weak or non-existent. The practice of 'adopted verification', whereby a marketplace accepts new sellers because they are already trading on another, spreads the infection of illicit traders and should be avoided.

Engagement with stakeholders – Digital communication and online forms are important, and dashboards are effective engagement tools. However, many platforms do not provide them and bulk reporting facilities are at best rare. Furthermore, the findings indicate that the efficiency of digital engagement alone is insufficient. Effective problem-solving is still based on human interaction between stakeholders and this requires sufficient skilled staff. Engagement with law enforcement is patchy and often unwelcome. This calls for ethical leadership to develop policies that support the policing and enforcement of IP rights.

Information sharing – Engagement requires information sharing. The findings indicate that data sharing is a significant problem. Whilst acknowledging the legal restrictions on sharing personal information, the industry is often reluctant to share data with stakeholders or is incapable of doing so due to insufficient resources. The trend towards integration will make information sharing even more crucial. The platforms' reluctance to share information with each other has to be resolved to combat this problem.

Evidence threshold – Engagement and information sharing are dependent on the gateway of evidence thresholds. The findings indicate that the evidence threshold to support investigations and sanctions tends to overly favor the sellers and thus undermines collective action against counterfeiting. Incorporating recalibrated thresholds in clear policies would support collective action. Setting the recalibrated thresholds at a lower

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[6]   ISO9001 - https://www.iso.org/iso-9001-quality-management.html.
[7]   ISO37001 - https://www.iso.org/iso-37001-anti-bribery-management.html.

level for trustworthy rights holders, i.e., "trusted flaggers", would promote engagement and efficiency.

Platform monitoring – The prevalence of obvious counterfeits on the sampled marketplaces indicates that the monitoring practices of many platforms are inadequate. The methods used and the extent of the monitoring is dependent on the scale and complexity of a platform's business model. Automated systems and artificial intelligence are important ways forward, but they currently do not fully replace people. This is because of a technology gap: the technology developments that drive the growth in efficient sales are outpacing the ethical technologies that control and disrupt illicit merchants.

Human resources – One consequence of the technology gap is that tackling counterfeits is highly dependent on effective collaboration between people. This currently relies on the strength of professional relationships and inevitably favors large corporate rights holders with clout and sharp elbows. Therefore, in order to address the rights of all rights holders, the industry needs to make a significant investment in recruiting sufficient professionals possessing a diverse set of interpersonal, commercial, intellectual property and problem-solving skills.

IX.   CONCLUSIONS

105.   This study utilized three methods to explore the extent to which online marketplaces implement anti-counterfeiting practices. Using a convenience sample, we conducted a documentary examination of the published policies and practices of 50 marketplaces and 16 technology providers using a menu of 36 anti-counterfeiting practices recommended in the literature. Each marketplace was also subjected to a 2-minute compliance test, which involved searching for well-known, high-value brands within its listings and identifying the obvious presence of counterfeits. In addition, interviews were undertaken with 14 stakeholders representing brand owners, marketplaces, trade associations and banking. It is important to emphasize the limitations of the methodology. Based on these methods the following key findings emerged from the analysis.

106.   Driven by technological innovation, the online market industry is a rapidly evolving and increasingly complex environment with different types of marketplaces, a variety of business models and increasingly sophisticated merchants. Seven marketplace types were identified: generalist, classified ads, social media, search engine, specialist, source integrators and illicit. The illicit marketplaces sell only counterfeit goods. The industry has also attracted technology firms which provide innovative software applications that raise the logistical efficiency of e-commerce for small businesses through integration.

107.   Widespread complacency in the online market industry, and complete indifference in some cases, is facilitating the trade in counterfeits. The crucial issue is not which anti-counterfeiting practices should be adopted, but whether leaders choose to ethically lead their businesses in tackling the counterfeit problem. The research found that a minority of the 50 marketplaces have implemented meaningful anti-counterfeiting strategies (8/50, 16 per cent). The business model for four of these marketplaces, the specialists, is based on inspecting and verifying pre-owned or collectable goods. The other four are generalist marketplaces and their strategies are based on implementing a wide range of practices, in at least 30 of the 36 examined. All eight platforms passed the 2-minute compliance test.

108.   In contrast, the remaining 42 (84 per cent) marketplaces assessed are ethically deficient in failing to implement meaningful policies and practices. The number of practices documented on these platforms was below 22 and a quarter were below 10. This group includes platforms

that demonstrate no inclination towards controlling counterfeits. The sole purpose of one platform is to peddle counterfeits. This group also includes window dressing organizations which portray strong anti-counterfeiting values, but their range of claimed practices and their performance belies their rhetoric: 60 per cent failed the 2-minute compliance test, including three advertising fakes on their homepages. The high prevalence of counterfeits within the social media sector conflicts is notably inconsistent with its policies and proclaimed values.

109. Just one of the technology providers sampled has implemented meaningful policies and is acting on those policies. The other 15 technology firms are yet to recognize the problem. Their source and feed integration technologies exacerbate the whack-a-mole problem whereby rights holders and ethical marketplaces are repeatedly taking down the same illicit merchants. Without effective controls, the efficiency and agility afforded by integration will increase the volume of counterfeits passing through online marketplaces.

110. Significant issues within the industry include lack of problem recognition, inadequate policies and rules, policies and rules that are difficult to understand and navigate, weak enforcement of those rules, organizational silos, inadequate monitoring, lack of engagement with rights holders, and obstacles to law enforcement. Weak verification processes are a fundamental problem because illicit merchants cannot be controlled if the platforms do not know who they are, and the practice of adopted verification spreads the infection of illicit merchants. High evidence thresholds, which favor illicit merchants, are obstacles to investigations by rights holders and law enforcement.

111. The shortcomings in the ethical technologies that control and disrupt bad actors means that anti-counterfeiting strategies are heavily reliant on professional, problem-solving relationships. As the marketplaces have limited, if any, relationship professionals, this favors the large corporate rights holders. To respect the rights of all rights holders, the industry needs to invest in recruiting sufficient professionals possessing a diverse set of interpersonal, commercial, intellectual property and problem-solving skills.

112. Information sharing is essential for effective engagement. Aside from the legal restrictions on sharing the personal information, the industry is often reluctant or incapable of sharing data with stakeholders or with competitors. High evidence thresholds, which favor illicit merchants, are obstacles to information sharing and investigations by rights holders or law enforcement. The trend towards technology-driven integration of marketing and logistics makes data sharing with all stakeholders and amongst competitors even more crucial.

113. Collective action against counterfeits in the legitimate online marketplaces requires embracing a wide variety of actors and business models. However, establishing a common framework of prescriptive anti-counterfeiting practices that embraces the entire industry is likely to be impractical. The industry should consider a generic, risk-based framework, such as those outlined by the International Organization for Standardization (ISO) or Wilson's Total Business Solution approach for brand protection. This would enable organizations to develop strategies to cope with the scale and complexity of their own business models. The discussion section sets out key themes that would need to be considered in such a framework, all of which depend on ethical leadership, meaningful and transparent anti-counterfeit policies, and sufficient resources.

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APPENDICES

APPENDIX A – PLATFORM SAMPLE

#	Platform	Type
1	Alibaba/Aliexpress/Taobao	Marketplace - generalist
2	Allegro	Marketplace - classified ads
3	Amazon	Marketplace - generalist
4	ASOS Marketplace	Marketplace - generalist
5	AutoDS	Technology provider - source integrator
6	BigCommerce	Technology provider - enterprise package
7	bol.com	Marketplace - generalist
8	brickfox	Technology provider - feed integrator
9	Cdiscount	Marketplace - generalist new products
10	CJdropshipping	Marketplace - generalist, source integrator
11	Cloudflare	Technology provider - cloud site hosting
12	Coupang	Marketplace - generalist
13	Deal.by	Marketplace - generalist
14	Depop	Marketplace - generalist
15	DHGate	Marketplace - generalist
16	Digital Ocean / Cloudways	Technology provider - cloud site hosting
17	DSers	Technology provider - feed integrator
18	eBay	Marketplace - generalist
19	Etsy	Marketplace - generalist
20	EasyFakes (pseudonym)	Marketplace - illicit, counterfeits products
21	Flipkart	Marketplace - generalist
22	Fnac	Marketplace - generalist
23	Fruugo	Marketplace - generalist new products
24	Kaufland	Marketplace - generalist new products
25	Klekt	Marketplace - specialist collectibles
26	Leboncoin	Marketplace - classified ads
27	Lengow	Technology services - feed integrator
28	ManoMano	Marketplace - generalist
29	Marktplaats.nl	Marketplace - classified ads
30	Mercado Libre	Marketplace - generalist
31	Meta	Market place - social media
32	MyDeal	Marketplace - generalist
33	Neteven	Technology services - feed integrator
34	OLX	Marketplace - classified ads
35	OnBuy	Marketplace - generalist

#	Platform	Type
36	Otto.de	Marketplace - generalist
37	Prom	Marketplace - generalist
38	Rakuten France	Marketplace - generalist
39	Resposten.de	Marketplace - generalist
40	Satu	Marketplace - generalist
41	Sellermania	Technology services - feed integrator
42	Shopee	Marketplace - generalist new products
43	Shopify	Technology services - enterprise package
44	Shoppingfeed	Technology services - feed integrator
45	ShopWired	Technology services - enterprise package
46	skroutz.gr	Marketplace - generalist
47	Snapdeal	Marketplace - generalist
48	Spocket	Technology services - source integrator
49	Squarespace	Technology services - cloud site hosting
50	StockX	Marketplace - specialist, collectibles
51	Subito	Marketplace - classified ads
52	Superbuy	Marketplace - generalist, source integrator
53	Telegram Buy & Sell Marketplace	Market place - social media
54	The RealReal	Marketplace - specialist, luxury pre-owned products
55	TikTok Shop	Market place - social media
56	Tiu	Marketplace - classified ads
57	Twitter Shopping	Market place - social media
58	Vestiaire Collective	Marketplace - specialist, luxury pre-owned products
59	Vinted	Marketplace - classified ads
60	Walmart Marketplace	Marketplace - generalist
61	Webflow	Technology provider - web site builder
62	Wish	Marketplace - generalist new products
63	WordPress	Technology provider - web site builder
64	XXXXXXX	Marketplace - search engine
65	Yatego	Marketplace - generalist
66	YouTube Shopping	Market place - social media

APPENDIX B – ANTI-COUNTERFEITING PRACTICES

Activity area	Anti-counterfeit practices	
Policy	Anti-counterfeit policy	A stand-alone A-CF policy separate to the T&Cs
Policy	Anti-counterfeit terms in T&Cs	Clear A-CF terms in the contractual terms and conditions
Policy	Anti-counterfeit in user guides/FAQs	Clear A-CF guidance within user guides or FAQs
Policy	List prohibited products	Lists prohibited products including counterfeits
Resource	Anti-counterfeit team	Evidence of an A-CF team
Transparency	Transparency report	Publishes transparency reports covering A-CF efforts
Payment	Secure pay	Provides secure payment method(s)
Seller details	Identify provenance country	Identifies where products are despatched from
Seller details	Publish seller identity	Publishes clear details of the seller identities
Seller details	Verify sellers	Evidence that platform verifies sellers, not just collects identities
Monitoring/control	Active monitoring	Actively monitors for presence of counterfeits
Monitoring/control	Brand search facility	Provides a brand search facility
Monitoring/control	Detect duplicate accounts	Evidence that platform detects duplicate accounts
Monitoring/control	Identify repeat offenders	Evidence that platform identifies repeat offenders
Monitoring/control	Machine learning	Uses machine learning to support A-CF
Monitoring/control	Seller performance monitoring	Uses a point or repeat strike system to monitor seller performance
Monitoring/control	Volume cap individuals	Limits the sales volume of individuals
Notification	Notify law enforcement	Notifies law enforcement about habitual offenders
Notification	Notify rights holders	Notifies rights holders about habitual offenders
Notification	Notify sellers	Warns sellers who sell counterfeits
Report to platform	Brand protection programme	Offers a brand protection programme to rights holders
Report to platform	Bespoke report system	Offers a bespoke system for reporting the presence of counterfeits
Report to platform	Report in bulk	Offers a reporting system that allows reporting multiple listings
Report to platform	Report system - rights holders	Offers a reporting system specifically for rights holders
Report to platform	Report system - agents	Allows authorised agents of rights holders to report
Report to platform	Report system - law enforcement	Offers a specific reporting system for law enforcement
Report to platform	Rights holder dashboard	Offers rights holders or their agents a dashboard to monitor engagement with the platform

Activity area		Anti-counterfeit practices
Report to platform	Support team	Provides a team to support those reporting infringements
Sanction	Sanction policy	Has a sanction policy
Sanction	Sanction escalation	A scale of sanctions depending on seriousness/habitual offending
Sanction	Withhold funds from seller	Withholds seller funds when counterfeits reported/detected
Sanction	Clear repeat infringer rules	Provides sellers with clear rules and sanctions for repeat offending
Sanction	Destroy counterfeit goods	Destroy counterfeit goods in warehouse
Sanction	Refund buyers	Platform refunds buyers who have unwittingly purchased counterfeits
Sanction	Sanction fake identities	Provides sellers clear rules and sanctions for creating fake identities
Sanction	Engage with law enforcement	Evidence that engage with law enforcement

APPENDIX C – INTERVIEW PARTICIPANTS

Participant	Type
A	Brand protection firm
B	Trade association
C	Trade association
D	Brand
E	Marketplace
F	Brand
G	Brand protection firm
H	Marketplace
J	Brand
K	Brand
L	Bank
M	Marketplace
N	Brand
P	Law enforcement

APPENDIX D – ANONYMIZED MARKETPLACE TYPES REFERRED TO IN INTERVIEWS

Market	Type
S	Classified ads
T	Generalist
V	Generalist
W	Social media
X	Generalist
Y	Generalist
Z	Generalist

[End of document]