

Amazon's Efforts to Combat Counterfeit Goods

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Introduction

The emergence of e-commerce platforms decades ago dramatically increased the availability of counterfeit goods worldwide. For this paper, I discuss the various methods Amazon.com, as the preeminent e-commerce platform, uses to limit counterfeit goods.

Legislation and Background

In Canada, counterfeit goods, where a seller sells a good under a trademark they do not hold, fall primarily under the *Trademarks Act*.¹ This would be the case where, for example, a counterfeiter sold shirts with a "Nike" logo without Nike's permission to do so. Section 19 of the *Trademarks Act* provides the registered holder of the trademark exclusive right to the use of the mark.² Under section 20(1), the owner of a registered trademark has the right to its exclusive use, sale, distribution, advertisement, manufacture, import, and export of any goods bearing that trademark.³ While both sections 19 and 20 deal with registered trademarks only, section 7(c) provides some protection for unregistered trademarks by making it an offence to 'pass off' goods as those of another.⁴ Under section 51.01, any person who commits an offence under the *Trademarks Act* is liable to penalties of large fines or prison time.⁵

Counterfeiters may also be infringing copyright by using a company's images in selling fraudulent goods. Additionally, where a counterfeit product does not display a trademarked name but rather copies a product's appearance, it may be infringing an industrial design patent. These issues are regulated by legislation as well.

While this legislation exists, the multi-national nature of e-commerce platforms and trademark registration complicates the availability of remedies for rights holders. For example, a counterfeit good may be manufactured in one country by a company located in another country, and sold via a platform based in a third country to a customer in a fourth. Jurisdictional issues such as these provide an imperative for platforms to develop their own means of counterfeit redress.

Amazon

Amazon is one of the world's largest e-commerce platforms. Amazon's anti-counterfeit measures are three-pronged: contract, litigation, and machine-learning tools. Even with these tools, however, the brunt of costs and work fall on the seller to protect their intellectual property.

Third-party sellers make up over 50% of the sellers on Amazon. These third-party sellers use Amazon's online infrastructure and may elect to use their fulfillment and shipping services. As affirmed by a United States Federal Court of Appeal, Amazon itself is not a 'seller' of any goods listed by these

¹ *Trademarks Act* (R.S.C., 1985, c. T-13).

² *Ibid*, section 19.

³ *Ibid*, section 20(1).

⁴ *Ibid*, section 7(c).

⁵ *Ibid*, section 51.01.

third-party sellers.⁶ This distinction protects Amazon from being held responsible for counterfeit goods sold on their platform and fulfilled through their shipping centres.

Additionally, when a seller sells goods on Amazon, the seller's conduct is primarily governed by their contract with Amazon. Per Amazon's Anti-Counterfeiting Policy, "[t]he sale of counterfeit products is strictly prohibited. Failure to abide by this policy may result in loss of selling privileges, funds being withheld, and destruction of inventory in our possession."⁷ This policy further reduces Amazon's liability as being complicit in selling counterfeit goods and also allows for the company to ban sellers as they see fit.

Despite the legal protection Amazon has afforded itself through past litigation and its seller policies, in 2019 Amazon disclosed to its investors that counterfeiting poses a business risk, as the company says it "could face civil or criminal liability for the unlawful activities by our sellers".⁸ Recently, and perhaps due to the growing understanding of this risk, Amazon has partnered with several third-party sellers in litigation against counterfeiters. Whether Amazon joins in on a lawsuit appears to be based on the scale of counterfeiting, size of the brand, and the egregious acts of the defendants, such as creating multiple selling accounts after being banned by the website.⁹

Amazon has also launched several tools to combat the sale of counterfeit goods on their website. The company claims that in 2018, they invested \$400 million in anti-counterfeiting and fraud machine-learning tools and blocked 3 billion listings from their stores.¹⁰ The main projects Amazon has are "Transparency", and "Project Zero".

Transparency is a barcode based system where each item a company sells is marked with a product-specific barcode.¹¹ Amazon distributors scan the barcodes to ensure only those legitimate and registered items are sent to customers.¹² The issue is that the actual item inside the packaging is not barcoded and that the company is required to pay a few cents per item. Project Zero is a machine learning system that sweeps Amazon listings for registered brands each day to confirm that these listings are connected to appropriate sellers, and allows the registered sellers to remove infringing listings.¹³

These tools require a company to have an actively registered text or design-based trademark, which is visible on the product and packaging, and that only the rights-holder apply for the programs.¹⁴

⁶ See *Milo & Gabby LLC, Karen Keller v Amazon.com Inc*, 2017 693 Fed. Appx. 879.

⁷ Amazon Anti-Counterfeiting Policy, online: <https://sellercentral.amazon.ca/gp/help/external/G201165970?language=en_CA>.

⁸ Amazon.com Inc (2018) United States Securities and Exchange Commission 10-K Form, at 14, <<https://www.sec.gov/Archives/edgar/data/1018724/000101872419000004/amzn-20181231x10k.htm>>.

⁹ See, eg, *Amazon.com Inc and Vera Bradley Designs Inc v Zhen Wang 'Johnny' Zhang et al* [2021], 21-DCV-281097, Tex. Co. Ct.; *Amazon.com Inc and Otter Products LLC v Ngullen Alejandro Riveria* [2018] WL 4385467 (W.D.Wash); *Amazon.com Inc and Nite Ize Inc v Chun Wong et al* [2018] (W.D.Wash) (Plaintiff's Factum).

¹⁰ Amazon, "Our Response to the New York Times' Story on Book Counterfeiting" (2019), online: <<https://www.aboutamazon.com/news/books-and-authors/our-response-to-the-new-york-times-story-on-book-counterfeiting>>.

¹¹ Amazon, "Proactively Prevent Counterfeits", online: <<https://brandservices.amazon.com/transparency>>.

¹² *Ibid.*

¹³ Amazon, "Project Zero", online: <<https://brandservices.amazon.com/projectzero>>.

¹⁴ Amazon, "Get Started in Three Steps", online: <<https://brandservices.amazon.com/brandregistry/eligibility>>.

The programs are also only available in certain countries. This may be a barrier to companies that are not at the stage of trademark registration, sell products without the trademark visible, or where the rights-holder is no longer with the company.

Conclusion

Amazon's multi-pronged approach to counteracting counterfeit goods is laudable. This is especially true considering that the trademark law currently in place was not developed to address e-commerce's unique issues, including its multi-jurisdictional nature. The sheer scale of Amazon's marketplace, and its dependence on its third-party sellers, makes decreasing counterfeiting a huge task.

Despite Amazon's innovative tools and an overall reduction in counterfeiting, barriers for sellers remain. Amazon has protected itself from being deemed a seller of any counterfeit items sold by third-parties. Additionally, its counterfeit protection tools require sellers to take active steps to register their brands, and in some cases, pay, for the IP protection tools. As Amazon, and other e-commerce platforms, notably Alibaba, continue to develop increasingly sophisticated tools for targeting counterfeit goods, counterfeiters may react in kind, or this form of intellectual property infringement may be on the way out for major e-commerce platforms.