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May 14, 2019

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Better Business Bureau Study Shines Light on Prevalence of Counterfeit Products in Online Retail

Oakland, CA., May 14, 2019 – An in-depth investigative [study](#) by Better Business Bureau (BBB) finds that fraudulent consumer goods are ubiquitous, difficult to tell apart from the legitimate products they are counterfeiting, and stem from a large network of organized criminals and credit card processing mechanisms that are willing to support them.

Research shows that 80% of Americans shop online, and the dominance of online retail means nearly anything can be bought online, sometimes at discounts that seem too good to be true. However, nearly anything available online can be counterfeited, and research also shows that 40% of people have bought something online that turned out to be counterfeit.

The investigative study – [“Fakes Are Not Fashionable: A BBB Study of the Epidemic of Counterfeit Goods Sold Online”](#) – looks at the prevalence of counterfeit consumer goods and the criminal systems that circulate them. It digs into the scope of the problem, who is behind it, the multi-pronged fight to stop it and the steps consumers can take to avoid it.

The risk of encountering counterfeit goods can affect any online shopper. These goods range from brand-name sunglasses and handbags to golf clubs and consumer electronics, as well as many other kinds of products. BBB’s report finds that any shippable item with a reputation for quality and sizable markup is a candidate for counterfeiting. While counterfeit goods often are reputed to be deeply discounted, in reality, counterfeit sellers regularly use selling prices that are close to the price of the real product, so the prices offered are no longer a signal that the product is counterfeit.

The cost of counterfeiting affects not only consumers who lose money by receiving products not as advertised, but also the

broader U.S. economy. BBB's report finds that counterfeiting and intellectual property piracy cost the U.S. economy \$200-\$250 billion and 750,000 jobs annually.

In the last three years, BBB has received more than 2,000 complaints and more than 500 Scam Tracker reports from people who have shopped for goods online and received counterfeits instead of what they ordered. The Federal Bureau of Investigation's (FBI) Internet Crime Complaint Center (IC3) processed 2,249 complaints about counterfeit goods (including pirated goods) in 2018, while the Federal Trade Commission (FTC) processed 552 complaints representing a total financial loss of more than \$752,000. That being said, many victims do not file complaints, making it difficult to get a firm grasp on how often people pay for goods that are counterfeit or not as advertised.

One local consumer was interested in purchasing two Hydro Flask water bottles for her daughter and herself. While perusing Instagram, she saw an advertisement for Hydro Flasks at a discounted rate. After clicking on the ad and checking out the website, she thought it looked reputable and professional, and ordered two mugs for \$72. Two weeks passed and the Oakland-native had still not received her Hydro Flask order. She decided to double check the website she had ordered from and noticed it was actually hydroflsak.com and when she clicked on the "about" section of the site, the information was written in poor English. The mugs finally did arrive but when they did, they were shipped from China and not insulated. The lids were low-quality plastic, and the rubber rings that stop leaks from the inside would fall out. She emailed the company to ask for a refund to which they refused to take them back and insisted she would have to pay for the shipping herself. After some persistence, she was finally offered a refund of \$9.99 if she returned them. She filed a complaint with the BBB and if there is one message she would like to pass on to other consumers, it's that you always need to look at website carefully before buying.

According to BBB's report, 88% of counterfeit goods come from China and Hong Kong, with their smuggling and their online sale via fraudulent websites widely thought to be coordinated by international organized crime groups. Customs agents seized \$1.2 billion in counterfeit shipments in fiscal 2017, the most current year for which data is available; however, shipping and

smuggling methods vary widely, creating major headaches for customs officials. Inasmuch as counterfeit goods are almost always paid for with a credit card, the fraudulent websites that process these sales make extensive use of the credit card and banking system, with a small number of Chinese banks and an extensive network of intermediary payment processors responsible for the vast majority of processing for these purchases.

Active efforts are being made to fight the flood of counterfeit goods. BBB attempts to identify and report on bogus businesses, especially if they claim to be located in the U.S. and Canada. Trademark holders also do a great deal of work and spend a considerable amount of money trying to fight counterfeits. This is a major priority for customs officials and law enforcement as well; U.S. Customs and Border Protection has increased its seizures of counterfeit goods by 125% over the last five years, and the White House recently issued an executive order directing government agencies that work with brands to examine counterfeiting and make it an enforcement priority.

The report recommends:

- BBB urges the credit card payment processors to engage their full efforts in combating those that provide merchant accounts to sellers of counterfeit goods.
- U.S. consumers would benefit from a program to help counterfeit victims with chargebacks like the one operated in Canada by the Canadian Anti-Fraud Centre (CAFC). Such a program could help identify fraudulent credit card merchant accounts, bogus websites, and possibly locations from which such goods are being shipped.
- Law enforcement agencies could make better use of complaint information obtained by BBB, the FTC, and IC3.
- More study and investigation is needed for websites in China that deliver nothing or where goods are sold deceptively – even if there is no trademark or copyright involved.
- BBB recommends consumers check the reputation of the seller before making payment at bbb.org and contact the manufacturer for a listing of authorized sellers.

What to do if you believe you have unwittingly purchased counterfeit goods:

- **Ask for a refund.** Victims who don't receive anything when buying online with their credit card, or who receive goods that are counterfeit or not as described, should call the customer service number on the back of their card and request a refund. The report goes into great detail about the process of obtaining a refund and the remedies available to victims.
- **Report counterfeit goods.** Contact one or more of the following:
 - **National Intellectual Property Rights Coordination Center:** U.S. Immigration and Customs Enforcement (ICE) asks victims of counterfeit goods to file a complaint with [the IPR Center here](#).
 - **Better Business Bureau:** Victims can file complaints at bbb.org about online sellers that claim to be in the U.S. or Canada. BBB tries to resolve complaints and may help in getting a refund. There is no cost for this service. BBB also looks for and reports patterns of complaints. Consumers can report scams to [BBB Scam Tracker](#).
 - **Online markets:** Victims can complain directly to eBay, Amazon, Facebook and Instagram or other online marketplaces. In addition, Amazon has an "[A-Z guarantee](#)" for goods sold by third parties on their site; victims who have purchased counterfeit items from a third-party seller can seek a refund [here](#).
 - **Internet Fraud Complaint Center (IC3):** The FBI takes complaints about counterfeit goods. [Complain here](#).
 - **Federal Trade Commission:** You can complain to the FTC by calling 877/FTC-Help or [file a complaint online](#).

About BBB

BBB is a nonprofit, business-supported organization that sets and upholds high standards for fair and honest business behavior. BBB services to consumers are free of charge. BBB provides objective advice, free [BBB Business Profiles](#) on more than 5.3 million companies, 11,000 [charity reviews](#), dispute resolution services, alerts and educational information on topics affecting

marketplace trust. Please visit bbb.org for more information.

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ABOUT BBB: *For more than 100 years, the Better Business Bureau has been helping people find businesses, brands and charities they can trust. In 2017, people turned to BBB more than 160 million times for BBB Business Profiles on more than 5.2 million businesses and Charity Reports on 11,000 charities, all available for free at bbb.org. There are local, independent BBBs across the United States, Canada and Mexico, including BBB Serving the San Francisco Bay Area and Northern Coastal California, which was founded in 1927 and serves 13 counties.*