

## **U.S. Signals Crackdown on Counterfeit Goods Sold Online**

By William Mauldin and Alex Leary

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WASHINGTON—The Trump administration is moving to curb the sale of imported counterfeit goods over the internet, warning electronic commerce platforms and warehouse operators of greater scrutiny and penalties if they don't help ferret out fakes.

The Department of Homeland Security is set to release a report Friday outlining its immediate actions and longer-term goals for enlisting e-commerce players to combat counterfeit products that officials say undermine U.S. technology and manufacturing, harm bricks-and-mortar retailers and endanger consumers.

The new initiative, led by U.S. Customs and Border Protection and the White House, comes the same month as [an initial trade agreement with China](#) that requires Beijing to take steps against counterfeiters or risk enforcement actions that could trigger new tariffs.

The Trump administration is seeking to pressure e-commerce giants including [Amazon.com](#) Inc., which increasingly hosts lucrative third-party sales on its platform, as well as financial firms, logistics services and other companies that are positioned to help stem the rising tide of counterfeits and pirated goods.

The DHS report, which was reviewed by The Wall Street Journal, says law enforcement will begin identifying cases immediately and “seek all available statutory authorities to pursue civil fines and other penalties against these entities.”

It also calls for new laws “to explicitly permit the government to seek injunctive relief against third-party marketplaces and other intermediaries dealing in counterfeit merchandise.”

“This is not about any one e-commerce platform—this is about e-commerce playing by a different set of rules that simultaneously hammer brick-and-mortar retailers, defraud

consumers, punish workers and rip off intellectual-property rights holders,” said White House trade adviser Peter Navarro, who is helping lead the initiative. “It’s Amazon, Shopify, Alibaba, eBay, [JD.com](#), [Walmart.com](#) and a constellation of lesser players that provide the digital hubs.”

Spokespeople for Amazon, [eBay Inc.](#), [Alibaba Group Holding Ltd.](#), [Walmart Inc.](#), [Shopify Inc.](#) and [JD.com Inc.](#) didn’t immediately respond to requests for comment.

As part of the enforcement effort, the report says customs agents will treat domestic U.S. warehouses and fulfillment centers, such as those operated by Amazon and others, as the “ultimate consignee” for goods that haven’t been sold to consumers, giving officials power to scrutinize shipments even after they have cleared the border and moved to a regional warehouse.

U.S. officials will share information with such warehouses about counterfeit goods and “request they pursue abandonment and destruction with the rights holders of any identical offending goods in their possession,” according to the report.

Authorities also seek to better scrutinize fulfillment centers in Mexico and Canada that they say have long skirted U.S. trade law. They say large shipments sent to these facilities are often broken up into individual packages and shipped to U.S. consumers—free of duties and formal customs paperwork as long as the shipped item is valued less than \$800.

Customs and Border Protection “has existing authority to require formal entry (and the complete data set for any shipment) for any merchandise, if deemed necessary for import admissibility enforcement purposes; revenue protection; or even the efficient conduct of customs business,” the report says.

The U.S. and other governments say the fake-goods problem is growing as consumers gravitate toward low prices on the internet and cheap international shipping. In three “blitzes” last summer at international mail facilities, express-delivery hubs and other

locations, customs agents found violations in nearly 14% of the 20,861 shipments that were inspected, including roughly 5% of shipments that contained counterfeit goods, according to the report.

“An acceptable rate of customs discrepancies for counterfeit products and other contraband, such as fentanyl or gun silencers coming in from countries like China, would be under 1%,” Mr. Navarro said.

The size of the problem—and any likely solution—is growing. The incidence of infringing goods at U.S. borders has increased from 3,244 seizures in 2000 to 33,810 in 2018, according to DHS data.

Previous administrations and local law enforcement have long sought to work with the owners of legitimate patents, copyrights and trademarks to stamp out imitators, including through trade agreements. Trump administration officials are seeking to extend that approach, although it isn’t clear whether they could secure more manpower or funding. Acting DHS Secretary Chad F. Wolf said in a statement that the private sector is “critical to helping secure supply chains to stem the tide of counterfeit and pirated goods.”

Companies that profit from myriad small shipments have little financial incentive to comb carefully through their transactions or shipments. Online marketplaces don’t face the same legal liability as physical stores, and major changes to the legal landscape would require new legislation from Congress, officials say.

E-commerce operators say they have safeguards in place to curb inauthentic goods. “The industry will continue to work with law enforcement, policy makers and industry to protect consumers from counterfeit goods,” said Jordan Haas, trade policy director at the Internet Association, whose members include Amazon, eBay and [Etsy Inc.](#)

The bigger e-commerce platforms say they are already working internally and cooperating with governments to address counterfeiting. Alibaba [said in a news posting](#) Wednesday that “ever-improving technologies and close partnerships with

brands and other external stakeholders” have helped it to identify and remove counterfeit goods from its platforms.

Amazon said last month that “combating counterfeit requires collaboration across the industry—from retailers, brands, law enforcement, and government and we continue to be actively engaged with these stakeholders.”

The Journal [reported last year](#) that Amazon allowed third-party sellers to market dangerous products on its platform with limited oversight.

The Trump administration is [considering adding](#) some of Amazon’s overseas operations to a list of global marketplaces known for counterfeit goods, in what would amount to a public shaming of the e-commerce giant, according to people familiar with the matter.

One new tool is the [initial trade pact](#) signed this month by U.S. and Chinese officials. The agreement requires Beijing to boost the number of trained personnel to seize pirated goods aimed at exports markets, with requirements to destroy fake goods and to cooperate with the U.S. on counterfeit medicines.

“Over the next six months, we expect to see a quick and dramatic reduction in the rates of counterfeits and other contraband,” Mr. Navarro said, adding that “absent such a reduction, the deal will be enforced accordingly.”

A spokesman for the Chinese embassy in Washington didn’t immediately respond to a request for comment.