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Imaging Supplies Coalition
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Dear Chair Nadler and Ranking Member Jordon,
Dear Subcommittee Chair Johnson and Subcommittee Ranking Member Roby,

The Imaging Supplies Coalition (“ISC”) is a non-profit trade association comprised of original equipment manufacturers (OEMs) of consumable imaging supplies (ribbons, toner, inks, cartridges, etc.) and equipment that have joined together to protect their customers by combating illegal activities in the imaging supplies industry. The members of the ISC are Brother International Corporation, Canon U.S.A., Inc., Epson America Inc., HP, Inc., Lexmark International, Inc., and Xerox Corporation. For 25 + years, the ISC and its members have been fighting the battle against counterfeit and infringing goods. More recently our efforts have been hampered by the unique enforcement problems on internet marketplaces. In June 2020, the ISC registered our support for the passage of the SHOP SAFE Act. With committee hearings scheduled to begin the ISC restates its support for passage of the bill. There are two primary reasons for our support:

1. Currently, brand owners have limited options to police counterfeit versions of their products on the internet. These options often are resource-intensive and ineffective at scale.
2. Untraceable sellers on internet platforms with fake aliases leave brand owners with little recourse against third-party sellers under the U.S. court system. Under current law, it is exceedingly difficult, if not impossible, to hold online platforms responsible when a seller disappears or cannot be located. Moreover, many sellers are located outside the U.S. Enforcement actions against these sellers are very difficult due to jurisdictional and service of process hurdles. This is completely unfair to brand owners because these third-party sellers

are openly conducting business in the U.S. through internet platforms and selling their counterfeit goods directly to U.S. consumers.

Ever since the *Tiffany v. eBay* decision by the Second Circuit Court of Appeals, 600 F.3d 93 (2nd Cir. 2010), internet platforms have been virtually immunized from liability even though they freely allow the sale of counterfeit and infringing goods by thousands of sellers. The SHOP SAFE act provides a possible avenue by which brand owners can hold internet platforms to best practices and, more importantly, the Act allows brand owners to sue foreign third-party sellers in U.S. courts. The Act prescribes that the internet platforms should establish best practices such as vetting sellers to ensure their legitimacy, remove counterfeit listings and it calls for online platforms to take steps necessary to prevent the continued sales of counterfeit goods by their third-party sellers or face contributory liability for the internet platform's actions and inaction.

We believe that that passage of the SHOP SAFE Act of 2020 will lead to a fairer, more transparent, and healthier marketplace for U.S. consumers.

In addition to the above, I have included for reference below the ISC response to the **Comments Request: Report on the State of Counterfeit and Pirated Goods Trafficking on Ecommerce (July 10, 2019)**

Despite the best efforts of industry and law enforcement, IP-infringing trade is growing at a much faster pace than the world economy. In 2016, a well-respected study by Frontier Economics published by BASCAP estimated that the total global economic value of IP-infringing products is as much as \$650 billion every year and could ultimately reach \$1.77 trillion.¹ A more recent study by UIPO and OECD estimates the volume of international trade in counterfeit and pirated goods is 3.3 % of world trade (compared to 2.5 % in the earlier study) equivalent to \$509 billion². These estimates do not include infringing products made and sold within the country of origin without being exported.

The imaging supplies industry has been substantially affected by IP-infringing and misrepresented products. The ISC estimates that approximately \$3 billion or 3.5% of the worldwide trade in imaging supplies is lost to counterfeiters. This does not even include the losses to patent-infringing products. The patent infringement problem continues to grow and is thought to be even larger than losses to counterfeiting. ISC member companies do all that they can to combat the problem by implementing significant brand protection programs. These programs are administered by our members with substantial cost in resources and dollars. In addition to these internal programs, ISC members have obtained US ITC General Exclusion Orders to enforce their patent rights

¹ <https://cms.iccwbo.org/content/uploads/sites/3/2017/02/ICC-BASCAP-Frontier-report-2016-Executive-Summary.pdf>

² <https://euipo.europa.eu/ohimportal/en/web/observatory/trends-in-trade-in-counterfeit-and-pirated-goods>

and work closely with US CBP to train import specialists and CBP officers to recognize and intercept patent infringing product.

While many factors drive the size and growth of IPR infringement, we have concluded that there are two basic causes for this growth. Each requires increased focus and, unless there is action on both fronts, IPR infringement through e-commerce will continue to grow.

The two basic causes are:

- 1) Market accessibility through e-commerce marketplaces; and
- 2) Lack of consumer awareness.

Counterfeit Trade on E-commerce Sites

Although much has been done on e-commerce websites to combat counterfeiting and to improve the takedown process for counterfeit items, the problem continues to grow. Many brand owners complain that the efforts, while helpful, have done little to stem the tide and reduce the growth of counterfeiting on the internet, and that more work needs to be done. This creates a serious business challenge as both the customer experience and brand integrity can be negatively impacted.

E-commerce counterfeit issues are a problem that will continue to grow at a pace with the growth of e-commerce. Our members believe that two solutions are required to correct and control the counterfeiting issue.

First, e-commerce marketplaces must bear some legal responsibility for the counterfeit activity on the sites. A starting point could be to require the same level of accountability required of a brick-and-mortar landlord.

Second, through data analytics and rights holder involvement, much more can be done to keep infringing products from being listed in the first place.

Both of the above are controversial, complex and difficult to accomplish but they are certainly possible. The first item, above, may require legislative and/or executive action, because the judicial system is protective of e-commerce platforms and does not generally hold e-commerce platforms liable for their sale of counterfeit goods. See, Tiffany v. eBay, 600 F. 3d 93 (2nd Cir. 2010).

Moreover, if e-commerce platforms become more active in *preventing* the sale of infringing goods, it could lead to a constructive relationship between rights holders and e-commerce marketplaces and will help to protect customers from infringing and misrepresented products.

Consumer Awareness

There would not be a counterfeit problem if there was not a demand for the product. Initially, it was thought that consumer demand was driven by a lack of awareness and that consumers did not realize they were purchasing counterfeit goods. However, recent evidence suggests that consumers are all too willing to purchase counterfeit products at lower prices even when they know the products are fake. This awareness changes the nature and scope of the demand problem. It is relatively easy to teach a consumer how to avoid a counterfeit product. It is much more difficult to convince a person that intentionally purchasing a counterfeit product is wrong and causes societal problems. This is, however, an effort that must be undertaken. We cannot allow society to accept an economy that does not respect and protect intellectual property rights. The changing of attitudes will require an education program of significant scope. Some of this must be undertaken by rights holders and by the e-commerce marketplaces. In addition, a focused consumer education program operated at the federal level would be of significant help.

Conclusion

Intellectual property infringement continues to escalate with much of the increase driven by the growth of e-commerce and by a lack of customer education. While the war on intellectual property infringement may never be completely won, IP rights are fundamental to our economy and must be vigorously defended. We respectfully request the following:

- 1) There should be a focused debate on defining the legal responsibility of internet marketplaces for IP-infringing product sold through their sites followed by necessary legislative and executive action.
- 2) Develop a program to encourage or legally require e-commerce platforms to adopt better guidelines to prevent the listing of counterfeit/infringing products and to facilitate their takedown. This would include items such as:
 - Improved gating procedures for sellers of products listed on the e-commerce platform. Look for and deny access to sellers with previous violations and those who import directly to fulfillment warehouses.
 - Improved interfaces for takedowns that allow third-party software to integrate with marketplace databases and allow sellers and purchasers to send questions or objections directly to brand owners.
 - More consistent takedowns of listings for deceptively described imaging supplies that are priced unfairly, such as products without retail packaging, grey market, stolen and black market, expired, damaged packaging, and unauthorized remanufactured goods.
- 3) Design and implement, through the appropriate federal agencies, a focused education program to increase consumer awareness of the problems caused by IPR infringement.

Respectfully submitted,

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President Imaging Supplies Coalition