

Q&A

Online anti-counterfeiting strategies preserve brand equity: NetNames

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Givenchy's Nightingale bag

By JEN KING

Counterfeiting has had an extensive impact on luxury goods and is set to keep pace with technology, creating challenges and opportunities to stop the production of these items through authentication practices.

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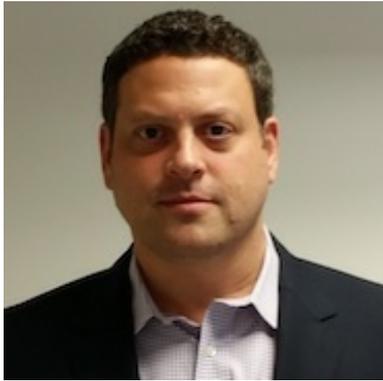
Luxury Daily

Through counterfeiting, governments lose out on tax money and luxury brands, often the main target of counterfeiters, must cope with the possible dilution of standing and erosion of trust held by the consumer due to fears of purchasing an unauthenticated product. NetNames, a firm specializing in online brand protection and anti-counterfeiting services, works with luxury brands to protect their online presence and intellectual property from counterfeiting threats.

“The quality of manufacturing methods and materials, along with special and proprietary branding, processing and packaging are what make luxury products unique enough to command high prices in addition to the unique role they play in the market,” said Andrew Brodsky, commercial director at [NetNames](#), New York.

“Building in authentication procedures such as recognizable-but-difficult-to-replicate

logos, colors and payment methods, is the first line of defense for any luxury brand that has an online offering,” he said. “Not having these methods in place is an open invitation to fraudsters to put up convincing but fake Web sites that accept payment for counterfeit goods...or possibly for no product at all.”



Andrew Brodsky of NetNames

In this Q&A, Mr. Brodsky discusses how NetNames works with its clients, how new technologies will affect counterfeiting and why it is vital for brand's to protect their goods from counterfeits in the online space.

Here is the dialogue:

How did NetNames become part of the anti-counterfeiting movement?

We've been offering online brand protection solutions for over 15 years and are considered pioneers in the industry because of our proprietary technologies and human analysis. In the beginning, our practice focused solely on helping companies establish and enhance a global presence online.

We began to notice an increasing need for online brand protection and anti-counterfeiting solutions due to the continual increase of threats that arose. In the digital world, the most valuable asset a brand has is its intellectual property and we have made it our business to stay one step ahead of infringing forces.

During the past decade, we have acquired a network of leading global brands, and we have the resources, worldwide expertise and state-of-the-art technology to proactively safeguard the IP and brand assets of these global corporations.

How does digital technology play an important role in preventing counterfeiting?

One in six products sold online is identified as counterfeit, and in the European Union, 30 percent of all counterfeit seizures are linked to Internet distribution channels.

But just as digital technology is responsible for allowing the distribution of the vast majority of counterfeit goods, it can also be a tremendous asset in locating, identifying and taking down infringing sites, listings and applications—ultimately leading to a reduction in the amount of fakes threatening the integrity of any brand that proactively defends its intellectual property.



Example of Essie nail polish infringement

By using cutting edge methods to detect, analyze and enforce against key infringers, brands can deploy a veritable arsenal of techniques to use against counterfeiters. The breadth of this type of response is only possible through digital technology.

What are some ways brands can use the insights generated by NetNames to fend off counterfeiting?

First, they need to identify high level infringements—the assessment of how counterfeiting and other online fraud is affecting their brand is the first step in employing a good online security strategy.

Then they can enlist their customers through their own Web sites and through social media. The most successful brands get active on social media and mobile apps, and list qualities of their product that couldn't be replicated, and/or telltale signs of fakes they've seen out there.

Finally, in an effort to deplete the infringements that exist, brands should enlist the help of online brand protection specialists such as NetNames—a firm that is in the business of scanning all corners of the Web for counterfeit and grey market products and Web sites and relentlessly take them down.

Why are authentication procedures so important for luxury brands?

Obviously the quality of manufacturing methods and materials, along with special and proprietary branding, processing and packaging are what make luxury products unique enough to command high prices in addition to the unique role they play in the market.

Building in authentication procedures such as recognizable-but-difficult-to-replicate logos, colors and payment methods, is the first line of defense for any luxury brand that has an online offering. Not having these methods in place is an open invitation to fraudsters to put up convincing but fake Web sites that accept payment for counterfeit goods... or possibly for no product at all.

Versace's Versus, for example, created a counterfeit-inspired clothing line (see story) while other brands such as Cartier have pressed charges. Is there a proper way for brands to respond and react? Will these reactions help or hinder the problem?

Cartier's September 2014 campaign to block counterfeit Web sites—which led to the

groundbreaking ruling that two Web sites were ordered to shut down because of claims of pirated goods ([see story](#))—sends a message to fraudsters, and to the world, that this behavior is not only not okay, it's illegal and punishable by heavy fines (that can go into the hundreds of thousands of dollars) and jail time, not to mention having to remove a Web site that probably a major source of income.

While there was public outcry about free trade and freedom of expression, this is a much more appropriate brand response, to our way of looking at it.



Versus Versace capsule collection inspired by counterfeiting

Due to counterfeiting governments are losing a lot of money in taxes -- what impact will this have on the products and brands being copied?

Any time revenues are diverted to a third party—in this case counterfeiters—both brands and governments will lose out.

Low operating costs, uninhibited access to a global customer base and high levels of anonymity make online channels the perfect 'shop window' for the sale of counterfeit goods – not just knockoff luxury items, but also fashionable accessories, toys, cosmetics, pharmaceuticals and even car and airline parts.

The global nature of the online marketplace also makes it much harder to enforce sales tax collection. It is therefore incumbent on brand owners to protect themselves online and take active measures to stop counterfeiters from using their hard-earned brand identities toward these illegal gains.

Proactive and effective online anti-counterfeiting strategies must be put in place to preserve customer confidence and brand equity, and to safeguard sales and revenues.

How can brands work to better authenticate their products on third party

retailer's Web sites?

They can start by limiting and vetting the marketplaces through which their branded luxury goods are sold. As noted below, some Web sites have flagrantly and notoriously offered fake goods, while others have adopted stringent anti-counterfeiting policies that protect brands' intellectual property to a much greater extent.

Some of the methods used to determine whether goods sold are legitimate or knockoffs include detection of aberrations in brand imagery, logos, colors, packaging, rogue domain names and duplicated text. Using proprietary software, brands can protect their intellectual property by keeping tabs on this activity and flagging potential infringers.

Where are the most counterfeited items produced and where are they more likely to be purchased?

Most counterfeited items originate in mainland China, which alone accounted for more than half a billion dollars just in fake purses seized in 2013. China and Hong Kong were pinned with 93 percent of the estimated manufacturer's suggested retail price (MSRP) of all confiscated goods in 2013, for \$1.6 billion in total.

They're most likely to be bought from online market places such as eBay, Alibaba and Taobao. Although the U.S. Trade Representative dropped Alibaba from its "notorious marketplace" list in 2012, complaints that the online platform is an enabler for sellers of fraudulent goods continue to mount.



Alibaba counterfeit cartoon

In September 2014, CNN Money headlined a story, "[Alibaba has a major counterfeit problem](#)," indicating that in the two years that had passed since they were dropped from the watch list, the perception hadn't shifted.

As recently as May 15, as reported in these pages and other publications, Kering, the holding company for brands such as Gucci and Yves Saint Laurent, filed the lawsuit against Alibaba, in a U.S. district court in New York ([see story](#)).

Infringers also exploit mobile app stores as an ideal shop front; users are less likely to question the legitimacy of an app than a phony Web site they accessed on their home computer. By January 2014, mobile devices accounted for 55 percent of internet usage in the United States, and apps made up 47 percent of internet traffic.

Consumers are always looking for a good deal, how can a brand work to persuade a consumer from buying a counterfeit?

Brand owners have to keep reminding their customers about the things that make their brand unique. By educating consumers about what goes into producing quality products—whether it's in craftsmanship, materials, design or merchandising and presentation—brands will be rendering a service to consumers and to the marketplace.

As we mentioned earlier, connecting with customers through social media and legitimate Web sites and retailers is one way to do this. There are other creative methods that brands will need to implement to persuade consumers not to go for the cheap alternative.

With cosmetics or pharmaceuticals, these fakes can actually pose a serious health threat to the consumer. So appealing on the level of health and safety may in some cases trump the almighty dollar...but it won't be easy.

In what ways do you think counterfeiters will become smarter in the next five to 10 years?

As technology advances, fraudsters will keep pace. In the next five to 10 years we see mobile and social becoming an even more serious security issue.

Already it's a far easier platform from which digital pirates and fraudsters can dupe consumers, since the inherent protections are weaker and the way the smaller screens are used—on the go and in a hurry—lends itself to people buying into fraudulent deals more easily.

Mobile payment methods are in their infancy, too, leaving another loophole for counterfeiters to slip through. Also in its early stages, we'll probably see a lot more brand infringements made possible by new and evolving production methods like 3D printing.

Final Take

Jen King, lead reporter on Luxury Daily, New York

Embedded Video: <https://www.youtube.com/embed/ZIeBebSc1EQ>

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