

## **Victims and Reporting of Counterfeit Products On-line: Evidence from Complaint Data**

**Justin A. Heinonen**

**Thomas J. Holt**

**Jeremy M. Wilson**

*A-CAPPP Backgrounder*

**February 2013**

*The growing pace of e-commerce has facilitated the sale and distribution of counterfeit products. Yet little remains known about victims of counterfeit products sold on-line. We use 2009 and 2010 complainant data from the Internet Crime Complaint Center to examine the characteristics, costs, and reporting of product counterfeiting incidents.*

The increased use of computers and Internet-connected devices has fundamentally changed the way individuals purchase goods and services. This innovation has also increased the ease with which individuals can engage in various forms of fraud, including product counterfeiting.

To date, little remains known about victims of counterfeit products sold on-line. Better understanding their characteristics, however, can help advance future research and policy addressing this type of victimization.

To provide some initial insights, we analyzed 2009 and 2010 data from U.S. victims who shared their experiences with on-line counterfeit product fraud with the Internet Crime Complaint Center. We examined several factors, including victim demographics, whether the fraud was perpetrated through an auction or other (non-auction) website, the dollar amount lost, the prior relationship between suspect and victim, and whether the suspect was based in the U.S. We also constructed logistic regression models to assess which factors were associated with reporting the victimization and to whom.

### **Victim Characteristics**

Most complaints in the data involved non-auction incidents. Just over half of victims are male and more than two in three are at least 30

years of age, though, among non-auction victims, more than one in four was 20 to 29 years of age. Nearly half of all victims used a third-party payment service (e.g., PayPal), which was the case for more than four in five victimized through an auction website, specifically. Suspects contacted victims primarily through email and websites; only in about one in four cases was initial contact by the suspect unsolicited. Few victims had a prior relationship with the suspect. The median monetary loss per victim was greater for auction incidents than non-auction incidents.

When incidents were reported to other entities, both auction and non-auction victims most often contacted the individual or business allegedly providing the counterfeit good. Most victims did not report the incident to law-enforcement or consumer-protection agencies, the Better Business Bureau, or private attorneys, though generally non-auction victims were slightly more likely to do so, particularly law-enforcement.

### **Characteristics of Those Reporting to Other Entities**

We constructed three models to determine characteristics that influence reporting on-line product counterfeiting incidents to other entities. One model examined overall likelihood of general reporting (any entity), another examined

likelihood of reporting to law-enforcement agencies, and a third examined likelihood of reporting to the suspect individual or business.

Overall, victims less than 30 years of age were less likely to report in general. Those who suffered greater monetary losses, had a prior relationship with the suspect, reported researching the suspect prior to the fraud, or contacted the suspect via more mediums, were more likely to report their victimization to any entity.

Auction victims were less likely to report the incident to law-enforcement, but those suffering higher monetary losses or whose initial contact with the suspect was unsolicited were more likely. Victims claiming to be defrauded by a U.S. suspect were nearly three times more likely than others to report the incident to law enforcement, while these odds more than tripled for those who had a prior relationship with the suspect.

Auction victims were more likely to report the incident to the suspect individual or business, while those claiming to be victimized by a U.S. suspect were less likely to do so. Experiencing greater monetary losses also increased the

likelihood of this type of reporting, though to a lesser extent than it influenced general reporting or reporting to law-enforcement.

## Conclusions and Implications

Though this study provides initial insights, it is important to note that the victims in this sample likely represent a small proportion of all on-line product counterfeiting victims. In addition, this does not help to clarify why a person is more likely to be victimized relative to non-victim samples.

Nevertheless, we can draw several conclusions from the findings. First, the thousands of victims from the two years of complaint data we analyzed suggest on-line consumers are concerned about product counterfeiting and seek resolution after victimization. Policymakers should consider ways to encourage further reporting and researchers should develop other quantitative and qualitative approaches to better learn about victims. Second, given that some complainants reported their victimization to multiple entities, opportunities for different authorities to collaborate in response to this crime should be explored.

*This A-CAPPP Backgrounder summarizes research fully documented in Heinonen, Justin, Holt, Tom, & Wilson, Jeremy M. (2012). "Product Counterfeits in the Online Environment: An Empirical Assessment of Victimization and Reporting Characteristics," International Criminal Justice Review, Vol. 22(4): 353-371. The full article can be accessed here: <http://icj.sagepub.com/content/22/4.toc>.*



The Michigan State University Anti-Counterfeiting and Product Protection Program (A-CAPPP) is the first and preeminent academic body focusing on the complex global issues of anti-counterfeiting and protection of all products, across all industries, and in all markets, and on strategies to effectively detect, deter, and respond to the crime. Linking industry, government, academic, and other stakeholders through interdisciplinary and translational research, education, and outreach, the A-CAPPP serves as an international hub for evidence-based anti-counterfeit strategy. For more information and opportunities to partner, contact Dr. Jeremy Wilson, Director of the A-CAPPP, at (517)353-9474 or [JWILSON@msu.edu](mailto:JWILSON@msu.edu). Additional information can also be found at <http://www.a-cappp.msu.edu/index.html>.