Facebook, Instagram are hot spots for fake Louis Vuitton, Gucci and Chanel

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Facebook owner Meta Platforms is struggling to stop counterfeiters from pushing fake luxury goods from Gucci to Chanel across its social media apps, according to research and interviews, as the company barrels into e-commerce.

Its platforms have emerged as hot spots for counterfeit offenders who exploit their range of social and private messaging tools to reach users, according to interviews with academics, industry groups and counterfeit investigators, who likened brands' attempts at policing services like Facebook, Instagram and WhatsApp as a game of "whack-a-mole."

"Facebook and Instagram are the key marketplaces where counterfeit goods get sold to members of the public. It used to be eBay 10 years ago, and Amazon five years ago," said Benedict Hamilton, a managing director at Kroll, a private investigation company hired by brands hurt by counterfeiting and smuggling.

Research, led by social media analytics firm Ghost Data and shared exclusively with Reuters, showed counterfeiters hawking imitations of luxury brands including Gucci, Louis Vuitton, Fendi, Prada and Chanel.

It identified more than 26,000 active counterfeiters' accounts operating on Facebook in a June-October 2021 study, the first time its counterfeit research had focused on Meta's flagship app, and it found more than 20,000 active counterfeiters' accounts on Instagram, up from its count the previous year but down from a 2019 peak when they identified about 56,000 accounts.

About 65% of the accounts found in 2021 were based in China, followed by 14% in Russia and 7.5% in Turkey.
Ghost Data is an Italian analytics firm founded by cybersecurity expert Andrea Stroppa, who is also a data analyst consultant for the World Economic Forum. The firm has a track record of exposing the use of social media by counterfeiters, Islamic State supporters and for digital propaganda.

A Reuters search of keywords identified dozens of Instagram accounts and Facebook posts that appeared to promote counterfeit goods, which Meta removed for violating its rules after Reuters flagged them.

Online commerce is a key priority for Meta, which has pushed new shopping features that could help grow its revenue as it faces pressures like ads tracking changes and sputtering user growth, and has signaled a hard stance against counterfeiters. Instagram said luxury brands like Dior, Balenciaga and Versace had adopted shopping features on its app and said some like Oscar De La Renta and Balmain were using in-app checkout.

But users exploiting its platforms to sell fake goods present a persistent problem for the company, which also faces scrutiny from lawmakers and regulators about its content moderation.

"The sale of counterfeits and fraud is a problem that has always persisted with new technology," said a Meta company spokesperson in a statement. "We are getting better every day at stopping these sales and cracking down on fraudsters," the person added.

'PLAYING CATCH-UP'

Most buyers know they are not getting the real deal when they pay $100 for a handbag that retails for over $5,000. But harms include hits to brands' sales and reputation, potential safety issues of unregulated goods, and ties between counterfeiting and organized criminal activity, experts said.

Meta has joined ecommerce sites and online marketplaces in grappling with the sale of counterfeit goods. But unlike public listings on sites dedicated to shopping like eBay and Amazon.com, social platforms also provide offenders multiple channels to post in closed spaces, send private messages and use disappearing content like Instagram Stories, experts said.

"They're creating a lot of unique opportunities for counterfeiters to hide," said Lara Miller, vice president of corporate strategy at the International AntiCounterfeiting Coalition. "We're all playing catch-up."

Counterfeiters took advantage of features like WhatsApp product catalogs, which are unencrypted and available through the app's "business profile" option, to show their wares, the Ghost Data report said.

Ghost Data's Stroppa said he had seen an increasing trend of whole counterfeit transactions occurring on the company's platforms, rather than linking out to external sites.

Some high-end labels remain wary of the ability of a broad spectrum of major online platforms, from ecommerce sites to social apps, to deal with counterfeiters.

In 2020, Chanel, Lacoste and Gant left a European Commission initiative aimed at increasing cooperation between brands and sites including eBay, Alibaba and Facebook's Marketplace to fight counterfeiting, saying it was not effective.

Chanel finance chief, Philippe Blondiaux, said in an interview last year that Chanel, which only sells cosmetics and perfume online, did not believe Facebook or Instagram were "the right environment to sell luxury items," adding the brand wanted a "very protected" and intimate environment for its customers.

The Organization for Economic Cooperation and Development, which estimated the global trade in counterfeit products was as much as $464 billion in 2019, has said a boom in ecommerce in 2020-21 led to massive growth in the supply of online counterfeit goods.

Academics said the fraud had mushroomed during the COVID-19 pandemic, while legislation in the United States and European Union remained unable to combat it.
Chanel, Gucci and Prada said their fight against counterfeiters resulted in hundreds of thousands of social media posts taken down last year, but did not comment specifically on Meta's services. Vuitton and Fendi owner LVMH, which in a filing said it spent $33 million to fight counterfeiting in 2020, declined to comment.

According to a lawsuit Meta filed with Gucci last year, the platform has struggled since 2015 to shut down a woman in Moscow accused of selling fake goods on its services via a network of more than 150 accounts.

BATTLING COUNTERFEITERS

Meta having more user shopping data could help with ad targeting, filling an information vacuum left after Apple started letting owners of its devices block companies from accessing user information.

Meta legal directors told Reuters that cracking down on counterfeiters was key as its commerce plans ramped up. "As commerce has become a strategic priority for the company and as we've been building new shopping experiences, we've recognized that we want to make sure those experiences are safe and trusted for brands and for the users," Meta's director and associate general counsel for IP Mark Fiore said last summer.

Meta, which says it has 3.59 billion monthly active users across its apps, in October launched an updated tool for brands to search and report counterfeits in posts, ads or commerce features, and says it typically responds to complaints of such infringements within 24 hours.

In a recent report the company said it removed 1.2 million pieces of counterfeit Facebook content, including accounts, reported to it from January to June 2021 and about half a million on Instagram. The company said in this period it also proactively removed 283 million pieces of Facebook content violating counterfeit or copyright infringement rules and about 3 million on Instagram, either before they were reported by brands or before they went live.

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