



# WHY ONLINE RETAILERS MUST WAKE UP TO THE CONSEQUENCES OF COUNTERFEIT SUPPLIES

Resellers need to help clients understand the dangers of using counterfeit printing products

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Now racking up more than [\\$500 billion in U.S. sales annually](#), the online shopping revolution shows no signs of slowing down. In fact, e-commerce sales were [up 15 percent](#) last year. For the most part, shopping on the screen is fast and effective, but unfortunately, with millions of retailers selling to billions of shoppers, there are limitless opportunities for bad actors to commit a crime, often with impunity.

The worldwide trafficking of counterfeit goods, for example, has been made far easier via online channels, a problem that has [cost businesses around the world nearly \\$325 billion](#). In the printing industry, counterfeit printing supplies may represent up to 4 percent of the total market, costing companies up to [\\$3 billion a year](#).

## Big Stores, Big Problems

When the counterfeiting issue comes up, the conversation usually turns to the largest online stores, namely Amazon, which account for [40 percent of U.S. online retail sales](#). In recent months, Amazon has taken steps to make it far easier for brands to [flag and remove counterfeit items](#) from the site without having to seek Amazon's approval first.

Shifting that power is a big step in the right direction, but distributors, resellers, retailers and anyone else connected to online sales channels must also do more to protect themselves from the risks posed not just by counterfeit goods but by third-party and low-quality goods as well. For HP's part, we're [reorganizing our entire organizational structure](#), appointing our first-ever chief commercial officer and shifting towards a new set of ten geographic markets. This strategic move will help our organization create a more consistent experience for our customers and partners and provide new tools to help crackdown on counterfeits globally.

## Counterfeiting's Legal Liabilities

Counterfeits can pose significant liability to resellers, who risk criminal prosecution or seizure of counterfeit products. Even if online resellers and channel partners truly have no knowledge that goods they buy and sell are counterfeit, law enforcement could still end up seizing these counterfeit items, hitting the business with a big expense.

Risk is further amplified when law enforcement detects "willful blindness," the act of suspiciously obtaining goods that look obviously fake or cost so little that officials can assume buyers knew they were acting illegally. Trafficking in counterfeit goods is a federal crime in the U.S., with a maximum penalty for first-time offenders of [10 years in prison and a \\$2 million fine](#).

All-in-all, as a partner or reseller, one cannot turn a blind eye nor assume a passive role in fighting counterfeits. Rather, for the safety of their reputation and business, they must proactively work to combat them.

## A Liability in Any Channel

In another evolving area of the law, online retailers who build a marketplace for third-party resellers can sometimes be sued if aggrieved consumers can't get a satisfactory resolution from the shadowy third party itself. [As The Wall Street Journal reported in August](#), the U.S. Court of Appeals for the Third Circuit held that a Pennsylvania customer could sue Amazon over an allegedly unsafe product because Amazon had no vetting process to ensure that third-party sellers were available for consumers to sue. The court also found Amazon had control over third-party sellers and could (and certainly should) prevent sales of unsafe items. The lessons for resellers: know your sources, know your customers and don't open yourself up to third-party shenanigans that could land you in court.

## Something in the Air

Here's another example of a potential risk that online retailers of low-quality knockoffs or counterfeits might not realize. We know that when laser printer users replace Original HP toner cartridges with legal but substandard clone cartridges, they can adversely affect indoor air quality. In 2017, we commissioned an independent study to benchmark clone cartridges operating in HP laser printers against Germany's strict Blue Angel standards. [The results](#) showed that these cartridges fail indoor air quality standards worldwide. And since many corporate and government purchase orders require regulatory compliance, it's a big business mistake to buy—and try to resell—these kinds of cartridges. With low-quality supplies in use, indoor air quality can worsen, and the long-term health effects are unknown.

## Five Steps Toward Peace of Mind

To help online resellers and channel partners avoid stumbling into the territory of counterfeiting and low-quality knockoffs, HP advises them to pay close attention to what we call the "5 Ps" that are a part of any transaction. Taking these steps doesn't guarantee complete freedom from risk, but it will certainly help:

- **Person:** Consumers should purchase imaging supplies from the original manufacturer or one of their authorized resellers, and we encourage resellers to help their customers understand how important that is.
- **Price:** If the purchase price of the product is substantially under the market price or looks like a deal that is too good to be true, the product might not be legitimate.
- **Place:** Be cautious if the manner or place of the offer is different from normal business processes and transactions.
- **Packaging:** Be observant for any deviation in color, materials quality or spelling errors in packaging. Many original manufacturers have [a product authentication hologram or color shift label](#) on their packaging to assist with verification. Resellers should be familiar with these identification tools and carefully check their incoming inventory.
- **Performance:** Any significant variation in the performance of a product from previous experience or obvious defects in quality such as odor or leakage is a big hint that the product may not be genuine.

In addition, resellers will want to [study up on issues](#) surrounding counterfeiting and fraud, require indemnification for reimbursement of damages caused by counterfeit items and review the intellectual property rights portfolio of their potential suppliers. Further, in a world where [security needs to be a priority](#), Original HP supplies can help protect the integrity of your data in your HP enterprise printing devices, because the world's most secure printers deserve cartridges designed with a focus on security.

## Keeping Bad Actors Away

In April, an [executive order](#) directed government agencies to investigate how counterfeit goods end up in the United States. That work may help reveal some of the loopholes through which counterfeiters and other bad actors often slip their shoddy merchandise into American distribution channels. HP is also trying to starve counterfeiters by introducing [new printing technologies](#) that lower the cost enough to erase counterfeiter's profit motive.

The bottom line: avoiding risks in the global online distribution system means being smart, cautious and honest every step of the way.