Handling Food Fraud in e-Commerce

Food Fraud Series Part 5 of 5

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Organized by the IAFP Food Fraud PDG
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- This webinar is being recorded and will be available for access by IAFP members at www.foodprotection.org within one week.
Food Fraud PDG Chair: Neil Bogart, Food & Beverage - Area Technical Support – Ecolab

Food Fraud PDG Vice Chair: Karen Everstine, PhD, Senior Manager, Scientific Affairs – Decernis
• Part 1: A Strategic Approach to Operationalize Food Fraud Mitigation (held on 2/20/19)
• Part 2: Challenges Identified with Food Fraud Implementation (held on 4/2/19)
• Part 3: Understanding Types of Risk (Regulatory, Operational, Enterprise)
• Part 4: Emerging Food Categories
• Part 5: Ecommerce, Counterfeit, and Labeling (scheduled for 6/27/19)
Food Fraud – E-commerce Risk

Lara Miller – Counsel, Vice President - Corporate Strategy
Dion Tang - Program Manager

June 27th 2019
International AntiCounterfeiting Coalition (IACC)

The largest multinational organization representing exclusively the interests of companies concerned with **product counterfeiting and copyright piracy**.

Established in 1979; based in **Washington, DC**

Members across all product sectors, including:

- Food & Beverage, Tobacco & Spirits
- Apparel, Footwear, Accessories, and Luxury Goods
- Automotive
- Electronics and Electrical Goods
- Motion Pictures and Music
- Pharmaceuticals and Medical Devices
- Business and Entertainment Software
Food Fraud in the United States

Food fraud is broadly addressed through various food safety, food defense, and food quality authorities as well as border protection and import authorities across a number of federal agencies.

- No dedicated federal agency or U.S. law directly addresses food fraud
- A number of existing laws and statutes provide the authority for various federal agencies to address fraud.
- FDA and the U.S. Department of Agriculture are the principle agencies that are working to protect the food supply from food safety risks in conjunction with border protection and enforcement activities by the U.S. Department of Homeland Security.
U.S. Food & Drug Administration

- Works with the private sector and other government agencies on activities related to food defense
- Develops tools and resources to help food facilities prevent, prepare for, respond to, and recover from acts of intentional adulteration of the food supply

The FDA Food Safety Modernization Act (FSMA)

- Prevents intentional adulteration from acts intended to cause wide-scale harm to public health
- With some exceptions, this rule applies to both domestic and foreign companies that are required to register with the FDA as food facilities under the Federal Food, Drug, and Cosmetic (FD&C) Act.
Food Fraud in European Union

- EU laws do not provide for a "generally acknowledged definition" of food fraud despite an extensive legislative framework focused on food safety.

- The only general guideline is found in EU regulations requiring that food labeling, advertising, presentation, and packaging "shall not mislead consumers."

- Requirements vary among EU member states and food fraud in Europe remains largely undetected, similar to that in the United States.

- The United Kingdom’s Food Standards Agency (FSA) describes “food fraud” as the deliberate placement on the market, for financial gain, with the intention of deceiving the consumer, covering two main types of fraud.

- Researchers and industry groups actively working in this area have myriad definitions of food fraud and EMA.
The EU Food Fraud Network
European Commission

- Allows Member States and some other European countries to exchange information and to cooperate on a voluntary basis in matters where they are confronted with violations of the EU agri-food chain legislation of cross-border nature.

- Connects the bodies designated by each Member State, some other European countries (Switzerland, Norway and Iceland), representatives from the European Commission services and representatives from Europol.

- Allows assisting and coordinating communication between competent authorities and, in particular, transmitting and receiving requests for assistance.

**Food Fraud Contact Points**

Despite the existing regulations, online marketplaces have become a hotbed of counterfeit food and beverages in recent years.
Trademark Infringement

- Counterfeit
  - E.g. Test buys confirm counterfeit food
  - E.g. Counterfeit indicators identified in photos
  - E.g. Food safety marks being used

- Unfair Use of Trademark Rights
  - E.g. Name of a beverage being used in the title of a listing by unauthorized sellers
  - E.g. Registered trademarks being used in photoshopped images
Copyright Infringement

➢ Unfair Use of Copyrights

  E.g. Beverage package designs being used by unauthorized sellers/manufacturers

➢ Image Infringement

  E.g. Official promotional images/copyrighted images of an instant noodles brand are being stolen and used by unauthorized sellers
Notice and Takedown Programs

To remove infringing listings, rights-holders can make use of the statutorily required reporting processes which allow rights-holders to submit notices regarding IP violations directly to platforms.

- Both public and membership-based programs
- Varied interfaces, procedures, policies
- General requirements include:
  - Proof of IP ownership
  - Explanation of the infringement
  - Business licenses/certificates
  - Attestations or indemnification
Notice & Take-Down Enforcement

Key Steps

1. **Internal Organization:** Documentation, distribution channels, internal roles
2. **Educate Yourself:** Engage with other brands and groups familiar with platforms and their challenges, learn platform protocols and requirements
3. **Find Infringing Listings and Collect Required Info:** in-house or 3rd party
4. **Engage with Platform:** Find points of contact if possible, set up account
5. **Start submitting:** set up account and submit infringing listings
6. **Track Results:** Pay attention to outcomes, transparency, explanations, timing, and adherence to stated policies. Get vocal about discrepancies.
Online Enforcement

Challenges faced by rights-holders

Platforms

• Variability
• Recidivism
• Inconsistency
• Difficult Interfaces

Rights-Holders

• Language Barriers
• Limited Resources
• Distribution and Re-sale Issues
• Unfamiliarity Platform Protocols
To address the challenges faced by rights-holders, we develop different initiatives with e-commerce platforms in order to help rights-holders enforce their IP more effectively.

The IACC entered into an MOU with Alibaba in 2013 with the aim to improve rights-holder’s IP enforcement success on Alibaba’s platforms:

IACC MarketSafe
Overview

MarketSafe Expansion Program (MSE)

Term: 1 Year

Cost: FREE

Participants: Up to 100 Brands Per Year

- IACC members
- Non members
- Service providers/representatives
Program Benefits

- Centralized Submission Process
- Expedited Takedown Procedures
- Simplified Submission Requirements
- Dedicated Chinese-speaking Analysts
- Updated and Favorable Submission Policies
- Rights-Holder Working Groups

IACC

Rights-holders

Alibaba
The MSE Program supports all of Alibaba’s platforms through a centralized portal.
Claims Submission Process

1. Participants submit infringing listings to IACC

2. IACC analysts process and submit complaints to Alibaba

3. Alibaba removes identified listings within 24 hours for TaoProtect, and 2-3 business days for AliProtect

4. Results are updated and reported to participants through the MarketSafe portal
Counter-notices

• Listings stay down during the counter-notice process

• Information requested by IACC is NOT passed on to Alibaba
Rights-holder Working Group

Through the program, participants can make recommendations about preventative monitoring, enforcement policies, and other marketplace best practices.
Participants Demographics:

- 29 different industries
- 96 participants (including 32 SMEs)
- 12 different countries (16 brands from Europe)

Programs Results:

- 450,000+ listings removed
- 14,015+ sellers permanently banned
- 99%+ success rate
Applications are open

• Email marketsafeinfo@iacc.org for an application form
• Application form must be submitted by the rights-holder
• Participant orientation webinars on the first of each month
• After completing webinar, participants automatically receive login credentials and can begin submitting!
THANK YOU
Axel is widely recognised as an expert in Online Brand Protection, Shipments Intelligence and Investigations. He has a background in diverse disciplines, including Six Sigma and innovation consulting.

Since 2010 he has been engaged in Brand Protection, co-founding and managing ApiraSol GmbH in Germany. Axel has contributed to the fight against counterfeits with game-changing technical innovations that help to capture and share product intelligence. Axel has a Master’s degree in International Business Consulting, with a focus on Supply Chain Management.
Using Online Monitoring & Shipments Analytics to Identify Trade of falsified Food
Two Complementary Intelligence Sources

Online Monitoring

Shipments Monitoring
Two Complementary Intelligence Sources

Online Monitoring

Finished Product that is branded with a Trademark (physically)

Finished Product that is not branded with a Trademark (physically)

Food Components or Packaging
ApiraSol offers the only tool in the market that combines online monitoring with Shipments Intelligence. Easily request with 1-click the search for shipments, importers and amounts connected to online sellers.
Online Monitoring: Finished Product that is not branded with a trademark (physically)
Online Monitoring: Food Components or Packaging

<table>
<thead>
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<th>SF</th>
<th>Campaign</th>
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<th>URL</th>
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<th>R</th>
<th>F</th>
<th>S</th>
<th>T</th>
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China suppliers Factory price supply CMC for food and drink&mc chemical

Price: $2.05 USD 0.491.30

Original
Not all countries in the world have public customs data. However, even if a company in a country without public data (for example France) trades with a Russian company (has public data), we can see both company names and trade history.
For a confidential client, we have prepared this cluster analysis that helps uncover hidden relationships between online sellers, producers, importers, investors, contact details, etc. This analysis relies on trade data (import and export documents) and is combined with online intelligence.
Cluster Analysis - SECTION 2 - IMPORTER AND RETAILER IN RUSSIA

References

Consignee
Producer
Shipper
Address
Country
There are 4 Ukrainian companies producing dry-goods (labels, caps, bottles) and exporting to PROSHYAN in
We could identify 387 Shipments of this product to various countries including the US, Germany, Australia, Eastern Europe.
Types of Signals for Fraudulent Food in Shipment Records

**Obvious Signals:**

- FANTASY BRANDS
- PRODUCT DESCRIPTIONS
- SUSPICIOUS SHIPPERS
- SUSPICIOUS CONSIGNEES

**Advanced Signals:**

- SHIPPERS THAT CLAIM A GIVEN QUALITY, ORIGIN, ORGANIC CERTIFICATION
- LOW FOB / KGS RATIO
- SUSPICIOUS ROUTES
- THIRD PARTY MANUFACTURERS (VOLUMES, DESTINATION)
In this example, we can see how a retailer (left side) or a food standards authority can investigate the supply chain behind a finished product producer. Producers might import components (additives, stabilisers, flavours) that represent a high-risk or that do not meet the quality standards of the finished product.

https://graph.apirasol.com/HirWDvgQXqqbryfh0zkZ4ZgMSDRo4c/index.html
Monitoring routes where there is no public customs data

This Country Database is available but eventually with limited data fields and/or extra costs
This Country Database has no public data
Alibaba’s Transactions Data
Using Online Monitoring to Collect Company Names

<table>
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<tr>
<th>Shipping Destination</th>
<th>Transaction Value</th>
<th>Transaction Date</th>
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<td>06/08/2019</td>
</tr>
<tr>
<td>Benin</td>
<td>USD $<strong>,</strong>,**</td>
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<tr>
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This supplier has completed 28 Transactions.
How can we monitor a route that has limited public customs data? CHINA-UK Example

In this example, we captured thousands of ALIBABA Transactions (sales) related to food stabilisers. Also, manufacturer names, destination country and dates. With such database, we can run different analyses such as listing all manufacturers of a certain product group that had a recent transaction (shipment) to the UK.

While UK authorities may have access to UK Customs data, the company names used in Bills of lading may be hidden using a freight forwarder or by other means. Also, such customs data might be available too late to investigate or seize shipments.

However, using B2B Transactions data tells us instantly, that a company is preparing an order for a UK consignee. Also, while many company names in Alibaba may not be correct, many are correct.
These graphs are part of an analysis of CMC Food additives offered in Alibaba. This report covered 2549 Alibaba offers who registered 5349 transactions. A transaction can be understood as an individual export (shipment) to one of the countries highlighted above. Each transaction could represent thousands of kilograms.
When looking at the 5349 transactions (shipments) of CMC sold via Alibaba, it was possible to create a ranking of the largest CMC sellers. Top seller names are hidden but available upon request.

This database of historic transactions data allows us to perform specific searches such as studying top CMC Sellers linked to a certain destination country or listing all countries and transaction dates that a CMC seller exported to.
Combining Shipments and Online Data

(Packaging) - Amount of Transactions Per Country

- United States: 34.7%
- Australia: 13.7%
- United Kingdom: 8.0%
- Canada: 3.3%
- New Zealand: 2.7%
- Germany: 2.7%
- France: 1.8%
- Singapore: 1.7%
- Spain: 1.3%
- Netherlands: 1.1%
- Sweden: 1.1%
- United Arab Emirates: 0.9%
- Israel: 0.3%

Statistics based on 2,651 Alibaba Transactions of cigarette boxes
Investigating Trade of a Fantasy Brand
Summary: how can we use Online and Shipments Data?

Identify Shipments of Counterfeit, Fantasy Names and GI infringements
Identify Organic Food Fraud
Identify Components Suppliers
Identify Consignees of Finished Products
Identify trade not visible via customs data, but visible via Alibaba Transactions
Nicola Colombo
Global head of SGS DIGICOMPLY
Based in Switzerland

Nicola has joined SGS December 2017 where he became global head for the SGS Digicomply program

A passionate entrepreneur in the Digital Industry, through various systems and solutions he helped hundreds of food companies all over the world transforming their processes to deliver better and safer products to the market
SGS DIGICOMPLY

LABELWISE

Online monitoring of labels and product information on e-platform for conformity and compliance
ADULTERED INFORMATION

We buy more and more online but the average quality of information available online is poor exposing consumers and brand owners to risks.

In most case the lack of information quality is non-intentional, but the risk is real.
LET’S SEE A FEW SAMPLES
MOST COMMON DIFFERENCES & ISSUES ONLINE?

• HEALTH / NUTRITION CLAIMS
• PRODUCT PICTURES
• INGREDIENTS
• WARNINGS (I.E. ALLERGENS)
• MISSING BEST BEFORE
• MISSING MFG / DISTRIBUTOR ADDRESS

Description
Vanilla and Chocolate flavour shakes for sale

E-RETAILER N
NO DECLARATIONS

E-RETAILER 1
ISSUES FOUND

• new larger packaging 562.5g
• Vegan (prepared with non-dairy milk)
• without artificial sweetener, colouring and aromas
• Vegetable Protein with High Biological Value
• high relative protein percentage (Cal%)
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FOR MORE INFORMATION
www.Digicomply.com
SGS AGRICULTURE & FOOD
Questions?

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