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Call for government to do more on brand misuse and ad fraud on social media as report reveals scale of problem

- **Report details 70 major brands that have been targeted by scam advertisements**
- **Study suggests an e-business licence programme for advertisers**
- **Call for governments to establish guidelines and standards for online advertising**

A new report has revealed the extent of fraudulent and infringing advertisements on social media platforms targeting major brands, providing an action plan to clamp down on illicit activity.

The report, titled '**Fraudulent advertising online: emerging risks and consumer fraud**', was published by the Transnational Alliance to Combat Illicit Trade (**TRACIT**), in collaboration with the American Apparel and Footwear Association (**AAFA**), and seeks to evidence the growing level of fraudulent advertising and counterfeit products on popular social networking platforms such as Facebook and Instagram and websites including YouTube and Google.

The study identifies 70 major international brands that have been the target of fraudulent and infringing advertisements on social media platforms, some of which receive up to a quarter of a million views before they are detected. It also noted that fraudsters have used YouTube to exploit the popularity of certain popular video games to create videos that trick consumers into downloading risky apps or purchasing bogus services (*WTR* has previously **written** on the rise of such tactics).

These fraudulent adverts are also often hyper-targeted at consumers based on specific interests, location, demographics or browsing history. Crucially, those deploying them are doing so in a coordinated manner: "Given a common modus operandi, it appears there may also be a coordinated criminal network or networks behind the adverts, using hacked Facebook or bot-generated profiles together with stolen credit card data to post adverts that mislead consumers and direct them to e-commerce websites that defraud and/or sell counterfeit products."

The report drills down into concrete examples but the real value is its shining a light on the tactics employed by fraudsters and what it deems to be the inherent systemic weaknesses on social media and e-commerce platforms that are exploited by criminals to sell counterfeit and illegal goods. It expands: "The lack of sufficient policies and procedures to verify users' true identity and to conduct the necessary vetting and due diligence during the onboarding process is a system weakness across multiple Internet-based platforms for social networking and shopping. Deterrence can only be achieved when fraudulent advertisers are identified and punished."

Reflecting on the findings, TRACIT director general Jeffrey Hardy comments: "Social networking platforms are some of the most popular and most valuable brands in the world. It's absolutely inconsistent with today's standards of corporate social responsibility to expose users to such easy forms of fraud. Chasing fraud once it's loose on the Internet is not effective and leaving legitimate companies to clean up the mess is unfair and unreasonable."

With that in mind, the report outlines a roadmap for action, with suggested actions including:

- websites and social media knowing who they are working with when accepting paid advertising by gathering and verifying individual/business name and address/contact details;
- platforms reviewing all adverts published on their sites for infringing content, both algorithmically and, where high risk has been flagged, manually;
- establishing enforceable measures against advertisers who have been found to infringe their terms of service, including removal of the infringer's account and blocking the advertiser from the website or platform;
- providing avenues for consumers and rights holders to share information that can be used to dismantle criminal networks currently operating on their platforms; and
- establishing requirements for an e-business licence for advertisers.
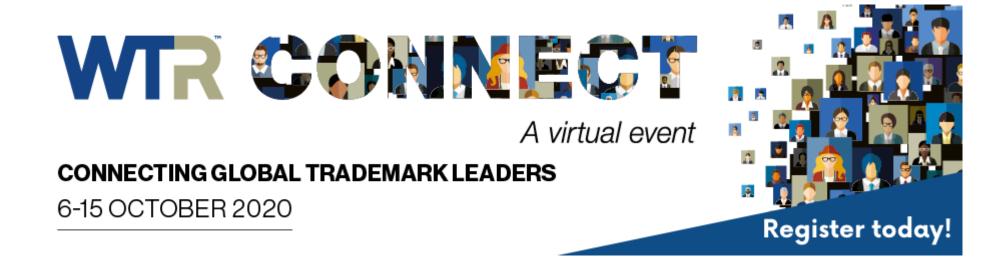
The latter would require verification of financial disclosures that can be corroborated by third parties (eg, bank statements) and physical location information that can be supported by government records or trusted third parties. The report notes that such a system could be accompanied by a central registry, ideally managed by a highly secure, disinterested party or industry group to maintain the licences.

Hardy expands: "Licences are required for virtually every aspect of commercial activity in the physical world, so why not for online advertising? Advertising has long been regulated by governments to ensure that messages are truthful and do not mislead reasonable consumers and I think it's the responsibility of today's legislators to make sure these standards apply to our lives online."

The reference to legislators highlights one of the targeted audiences for the report. The study paints a picture that will come as no surprise to those toiling in the anti-counterfeiting trenches, and the key will be whether it encourages change. Thus, it is important that both platform operators and those that have oversight of the commercial world are recipients.

The US government has already been talking tough about tackling online counterfeiting so in some respects it has never been a better time to provide evidence and an action plan for change – Hardy telling *WTR*: "The immediate purpose of the report is to ensure that verifications and proper vetting in the onboarding process are included in emerging/proposed legislation in the United States, addressing e-commerce. Among the priorities in the January 2020 US Department of Homeland Security Report on Combating Trafficking in Counterfeit and Pirated Goods is to significantly enhance vetting of third-party sellers by encouraging platforms to put in place a uniform and articulable vetting regime. Subsequently, a number of legislative proposals have emerged, all for the most part calling for stronger verification of sellers. So far there are no provisions to address/include advertisers, so in the first instance we'll be calling for these measures to also be required for online advertisers. There are similar opportunities in the United Kingdom and European Union, and we hope that our report will shed some light on the interconnected elements of fraud and counterfeiting and will drive a holistic approach to regulating platforms and to deliver a safe and secure online experience."

Christina Mitropoulos, manager of brand protection and manufacturing initiatives at the AAFA, concludes: "It is time for governments to establish guidelines and standards for online advertising. We look forward to working with relevant agencies and members of Congress to explore effective measures against fraudulent advertisers and ensure that consumers and rights holders can report and share information on this important issue."

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