



Government
of Canada

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du Canada

Canada



CANADA's Project Chargeback: FIGHTING ONLINE COUNTERFEITERS WORLDWIDE!

World Intellectual Property Organization
12th Advisory Committee on Enforcement
Geneva, September 2017

Canadian Anti-Fraud Centre



PROJECT CHARGEBACK

Leading the charge(back) against fakes!

Project Chargeback Goals

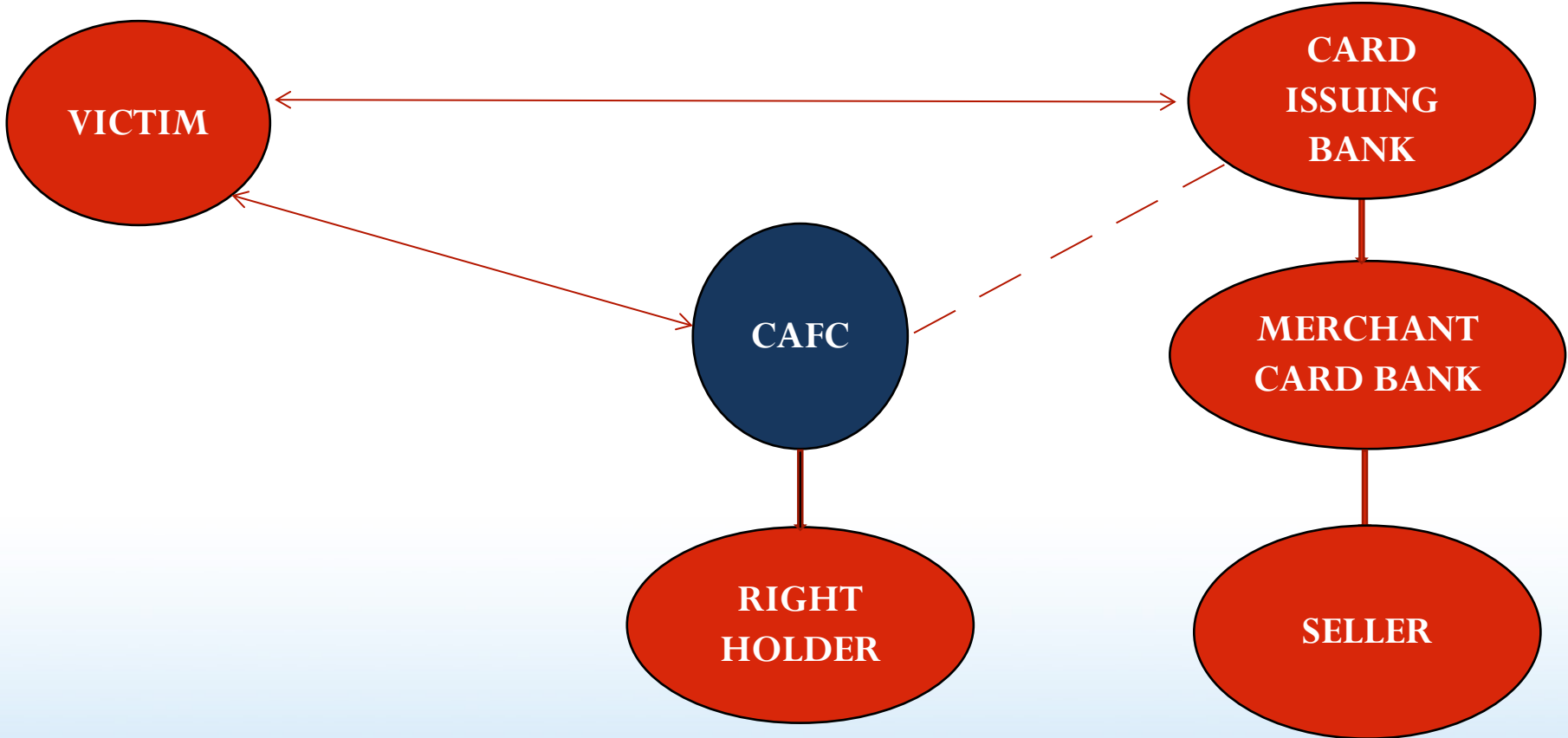
- Increase refunds and reduce losses incurred by consumers
- Reduce overall profits received by organized crime from sales of counterfeit and pirated goods
- Support and protect Right Holders

Strategy

- Strategy is based solely on existing credit card counterfeit policy
 - 540 days of protection from time of purchase (VISA)
 - 120 days from time of purchase or receiving proof of counterfeit (MC)
- 100% refund to victim if product confirmed counterfeit or pirated by the Right Holder to Law Enforcement
- Partner with:
 - Banks
 - Card Companies (Visa, MasterCard)
 - Companies (Right Holders)
 - Law Enforcement Administration
 - Public (victims)



Chargeback Process



Chargeback Process (Cont'd)

- Complaint sent to CAFC
- CAFC confirms validity of complaint with Right Holders
- Information sent to Credit Card Issuing Bank for assessment
- **Chargeback – money removed from seller's merchant account, then closed**
- Product not returned to seller

1) CAFC RECEIVES COMPLAINT

“Bonjour,

j'ai acheté des sandales sur un site trafiqué. La RBC m'a recommandé de vous contacter à ce sujet.”

2) CAFC INITIAL REPLY

Counterfeit victims, please be patient. Remember to send the counterfeit confirmation to Visa or M/C once I give it to you so you qualify for your refund. It is important that we get as much of the information requested below or the confirmation will be delayed even longer. Please read carefully.

If you are reporting a counterfeit purchase make sure you have followed the steps below and ensure the appropriate information is or has been forwarded to me;

- 1 - Call the phone number on the back of your credit card and report the suspected counterfeit, you are entitled to a 100% refund if the product is proven counterfeit.
- 2 - Provide the CAFC with the merchant name. If unknown, ask the credit card company for the merchant name listed on your statement.
- 3 - Provide the CAFC with the complete web site name (address/url) and the brand name product you ordered.
- 4 - Please send the CAFC the date and amount of purchase.
- 5 - Forward to the CAFC the name and address of the shipper if you receive(d) the product. Also the method of delivery.

Regards,
Barry Elliott

3) VICTIM PROVIDES INFO

“Bonjour,

Adresse web: bkabi.com

Nom de compte : MAS*SHIIVICHOLIDHUA TR

Numéro de confirmation: 08046019

Sandales de marque Birkenstock Arizona en suède bleu foncé.

Montant: 102.51 \$

Date de l'achat: 5 juillet 2017”

4) Confirmation from Right Holder

Dear X,

Please confirm X website is selling are not authentic

Dear Barry,

I confirm the goods being sold are not authentic.

5) Confirmation to Victim

- Victim provides to bank to initiate chargeback
- Victim advised to refrain from:
 - using product; hazardous materials
 - communicating with seller
 - keeping product or return to seller; destroy once refund received

Monitoring and Tracking

- Victim's Name, Gender, and Contact Info
- Date
- Website Address
- Merchant Name Linked to Website

Impact

- Quasi extraterritorial enforcement
- Victims recover 100% of loss
- Seller loses sale along with USD \$25 chargeback fee per refund
- Termination of merchant account
- Payment Processor and Merchant Bank fined for high number of chargebacks
- Payment Processor could lose access to credit card network
- Further losses to sellers include:
 - Loss of product (not returned)
 - Loss of all production costs per product
 - Loss of all shipping costs including postage and packaging

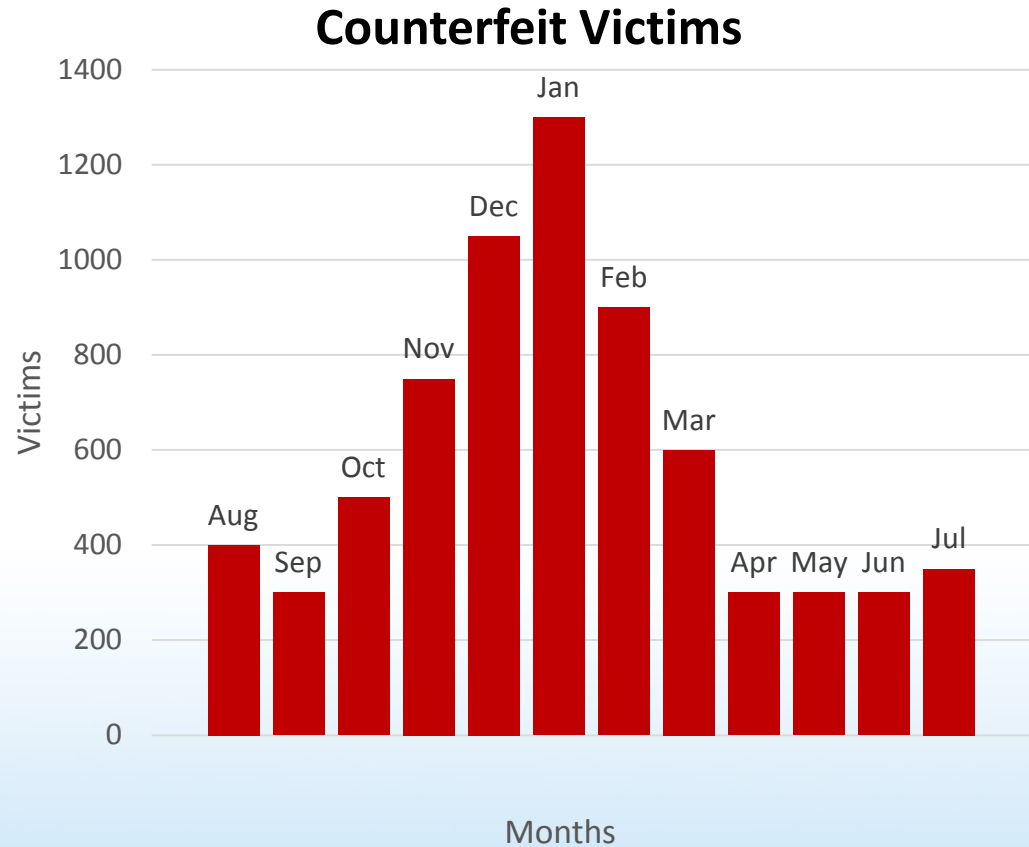
Complaint/Victim Analysis

- Since project began, CAFC sent out over 35,000 confirmations initiating chargeback
- Average loss per consumer approximately CDN \$300 - \$350 = \$12.5 million total to date (USD \$10 million)
- Over 8000 merchant accounts identified world-wide linked to over 25,000 websites since project began
- Over 8000 merchant accounts terminated to date identified as counterfeit sellers
- Combination of luxury goods (e.g. jackets, purses, shoes) and sports paraphernalia (e.g. hockey jerseys).

Total Complaints/Victims

Counterfeit Victims

August 2016	400
September	300
October	500
November	750
December	1050
January 2017	1300
February	900
March	600
April	300
May	300
June	300
July 2017	350



Discussion Questions

- First steps?
 - Locate government body/agency to initiate project
 - Start small; pilot project
 - Study Credit Card Company chargeback policies
- Resources required? Start-up costs?
 - Low (e.g. under CDN \$100,000 or USD \$77,000)
- Contacts required? How to find those contacts?
 - Credit Card Issuing Banks, Law Enforcement, Right Holders, Credit Card Companies
- How to get Law Enforcement, Right Holders, Credit Card Companies, and Banks all working together?
 - Build relationships and trust
- Issues that arise?
 - Convincing Credit Card Issuing Banks to work with Law Enforcement
- Lessons learned?
 - One step at a time (e.g. one Bank at a time, one Right Holder at a time)