

COMBATING COUNTERFEITING: Simple Steps You Can Take Now to Protect Your Brand from Piracy

by Andrea Anderson



Until fairly recently, trademark counterfeiting was a problem that plagued only owners of famous luxury brands, like Gucci®, Louis Vuitton®, and Rolex®. Today, however, trademark counterfeiting affects brand owners in virtually every established product category. No one really knows the true extent of the problem, but the World Customs Organization estimates that counterfeit goods may account for as much as seven percent of all world trade, representing almost \$600 billion annually.¹ Not only is counterfeiting a big business, but it is also a rapidly growing business. For example, seizures of counterfeit goods by U.S. Customs more than doubled between 2000 and 2004.² The largest categories of seized products have recently included apparel, bags, cigarettes, consumer electronics, sunglasses, footwear, and headwear.³ Although products in these categories are among the most likely to be knocked off, every business that makes and sells a consumer product is a potential target for counterfeiters.

Practical Measures

- **Know Your Manufacturers**
- **Control Your Distribution Chain**
- **Invest in Anti-Counterfeiting Technologies**

Counterfeiting can decrease your company's profits and the profits of your distributors and retailers, and it can seriously undermine your company's brand image. Fortunately, there are several practical and legal steps you can take now to protect your company's brands and its bottom line from the damage that counterfeiting can cause.

PRACTICAL MEASURES

The practical measures for combating counterfeiting are fairly straight forward:

- (1) know your manufacturers, and work with manufacturers you trust;
- (2) control your distribution chain to the greatest extent possible; and
- (3) consider investing in anti-counterfeiting technologies.

Knowing Your Manufacturers: It is important to work with trustworthy manufacturers that take affirmative measures to protect your proprietary information and manufacturing know-how. Patterns, dies, and molds walk out the back door all too often.

Controlling Your Distribution Chain: The more centralized your distribution chain the better. Direct shipments of products straight from Asian manufacturers to big accounts and distributors in the U.S. and Europe may seem more efficient, but with numerous origination and destination points for genuine goods, fakes can slip past customs officers and even into the legitimate distribution chain all too easily. On the other hand, if you ship products to distributors from only one address, or if you receive shipments from Asian manufacturers at only one address, customs officials can easily identify shipments of fakes based on their origination and/or destination points.

Investing in Anti-Counterfeiting Measures: Today, there are numerous overt and covert technologies, such as holograms and special fibers, that allow customs officials, distributors, retailers, and consumers to verify the authenticity of goods. Although none of the systems is foolproof, the technology is constantly

improving, and depending on the circumstances, incorporating one of these technologies into your product or its packaging can be a sound investment.

LEGAL MEASURES

Turning to the legal measures, you should take the following steps to minimize your brand's exposure to counterfeiting:

- (1) register your core brands with U.S. and foreign trademark authorities;
- (2) record your trademark registrations with U.S. and foreign customs authorities; and
- (3) monitor eBay and other Internet auction sites for fakes.

Registering Your Core Brands: The first step is to register your core brands and significant secondary brands with the United States Patent and Trademark Office. Federal registration of trademarks provides several benefits, including the establishment of nationwide priority of rights as of the application's filing date, as well as the benefit of placing competitors on notice of your rights.

If you have already registered your important trademarks in the U.S., the next step is to register your trademarks in foreign countries. You should consider registering your core brands in the following types of countries:

- (1) countries where you are currently distributing or will soon be distributing;
- (2) countries where you manufacture products;
- (3) countries where your vendors or suppliers are located;
- (4) countries that are known manufacturing centers for counterfeits in your product category; and
- (5) countries that are major trans-shipment points for authentic and counterfeit goods in your product category.

Registration of your trademarks will allow you to enforce your rights in these countries. Unlike the United States, most countries do not recognize common-law trademark rights that flow from a brand owner's use of its trademark. Therefore, in most countries, registration is essential to protect your mark from piracy and counterfeiting. And because trademark rights in most countries are based on a "first to file" system, it is important to file foreign trademark applications as soon after you have adopted your trademark as possible. Many companies are surprised to learn that they are unable to register their marks or even sell their products in a foreign country because a trademark "pirate" has already registered "their" trademark in that country. Often, time-consuming negotiations and costly ransom payments, or even slower and more costly court battles, are necessary before the U.S. business can establish its trademark rights in that country.

Legal Measures

- Register Your Core Brands
- Record Your Trademark Registrations
- Monitor eBay and other Internet Auction Sites

Although eBay does not monitor the content of auctions to ensure that listed items are genuine, it does provide a mechanism through which brand owners can notify eBay of listings for fakes. In response to such a notice, eBay will remove the listings. To take advantage of this mechanism, brand owners need to join eBay's VeRO (Verified Rights Owner) program.

Recording Your Trademark Registrations with Customs: The second step is to record your U.S. and foreign trademark registrations with customs authorities in the countries where you have registered your mark. In most countries, owners of registered trademarks can enlist the help of national customs authorities in stemming the tide of fake products. Customs authorities regularly inspect shipments of goods arriving in ports, and in most countries, they have the authority to detain shipments of goods if they believe that they contain counterfeit merchandise. If the seized merchandise is indeed counterfeit, customs officials in many countries have the authority to destroy it without further proceedings. The beauty of this enforcement system is that it keeps counterfeit merchandise out of the market altogether, and it is fairly inexpensive. The system is not perfect, however, because only a fraction of the shipments arriving at any given port are inspected for counterfeits. However, many trademark owners report that customs officials around the world have stepped up their enforcement efforts in recent years, perhaps in response to evidence that counterfeiting may be a revenue generator for some terrorist organizations.

Under a new European Community regulation, it is possible to record European Community trademark registrations with all 25 countries' national customs authorities by filing only one application with the customs bureau of one member state. This central filing system has significantly reduced the cost of recording trademark registrations throughout the European Community.

If customs authorities in any country seize counterfeit products, documentation accompanying the counterfeit shipment may provide information regarding the distributor or even the manufacturer of the counterfeits. Once the distributor or manufacturer of the counterfeits is located, brand owners can work with local authorities to conduct raids on manufacturing facilities and warehouses, and seize any counterfeits, as well as any patterns, molds, and dies used in producing them.

It is important to remember, however, that in most countries, you cannot receive the assistance of national or local customs and other law enforcement agencies unless your trademark is registered in that country. Therefore, it is crucial that you periodically assess your company's trademark portfolio to ensure that you own trademark applications and registrations in all relevant countries.

Monitoring Internet Auction Sites: The proliferation of Internet auction sites has facilitated an exponential increase in the volume of counterfeit sales in the U.S. Consumers seeking fake watches and handbags need no longer travel to New York's infamous Canal Street. Securing a look-alike Rolex® watch or Gucci® purse is as easy as typing "ebay.com" into your Internet browser.

eBay is, of course, the most well known Internet auction site, and it probably handles the largest volume of fakes. Although eBay does not monitor the content of auctions to ensure that listed items are genuine, it does provide a mechanism through which brand owners can notify eBay of listings for fakes. In response to such a notice, eBay will remove the listings. To take advantage of this mechanism, brand owners need to join eBay's VeRO (Verified Rights Owner) program. There is no charge, and brand owners need only file a short application with eBay. Under the program, the brand owner bears the responsibility for monitoring eBay auctions for counterfeits and notifying eBay of any listings for counterfeit goods. eBay staff members are usually very helpful and work quickly to remove any reported listings of counterfeits.

Other less popular Internet sales venues, such as ioffer.com and prostores.com, do not have official mechanisms in place for brand owners to report listings of counterfeit goods. However, most of these sales venues will swiftly respond to written notices by brand owners that listed items are counterfeit and will remove these listings from their websites.

Although shutting down Internet auctions merely treats the symptoms of counterfeiting and not its cause, it nevertheless removes a significant sales venue for counterfeit products, which in turn, raises the counterfeiter's cost of doing business in your brand. Faced with the increased hassle of counterfeiting your brand, a counterfeiter may decide to move on to an easier target.



Andrea Anderson is an attorney with Holland & Hart LLP in Boulder, Colorado. Her practice focuses on trademark law, particularly in the areas of counterfeiting prevention and enforcement, and she represents several producers of outdoor apparel and sports equipment.

[303] 473-2861
aanderson@hollandhart.com
One Boulder Plaza
1800 Broadway, Suite 300
Boulder, CO 80302-5234

CONCLUSION

All of the measures outlined above are important tools for brand owners in the fight against counterfeiting. Even if your company is not experiencing a counterfeiting problem now, taking the measures outlined above will increase the strength and value of your brand and can significantly decrease the chances that your company will experience serious counterfeiting problems in the future. The key to success, however, is taking these measures early in the life of your brand, or at least before your counterfeiting problem is overwhelming.

NOTES

[1] Source: Joint Press Release of World Customs Organization and Interpol, May 26, 2004. Available at <http://www.ccapcongress.net>.

[2] Source: "Seizure Statistics for Intellectual Property Rights," U.S. Customs & Border Patrol. Available at <http://www.cbp.gov>.

[3] Source: "Seizure Statistics for Intellectual Property Rights," U.S. Customs & Border Patrol. Available at <http://www.cbp.gov>.