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# Anti-counterfeiting steps for US brand owners

Although the United States provides a good legal framework to fight counterfeiting, depending on the legal system alone is often not enough. US brand owners must be diligent in the prevention of the manufacture and distribution of counterfeit products

The continuing problem of counterfeiting threatens brands in every region of the world; the United States is no exception. Counterfeiters do more than make fake products; they also hurt the integrity of the brand, harm the brand owner's reputation and erode sales of the legitimate product. While some think that counterfeiting in the United States is a problem for the owners of luxury brands only, the problem affects every US industry, no matter how mundane. (The term 'counterfeit' as used in this article refers to the use of an actual brand name without consent in order to deceive the purchaser (be it retailer or end user) as to the source of the product. The terms 'grey market' (which usually denotes legitimate, but unauthorized goods) and 'black market' (which usually denotes stolen goods) are beyond the scope of this article.)

Counterfeiting also affects all three segments of the market: brand owner, retail seller and end user. First, counterfeit products deprive brand owners of revenue and, more importantly, of control over their own brand's identity and integrity. Second, counterfeit products hurt the legitimate retailer. It should come as no surprise that counterfeit products are usually sold at prices below the manufacturer suggested retail price. This decreases consumer demand for products at the legitimate price and hurts the brand owner (and the retailer as well). Having counterfeit products in the marketplace also negatively affects the relationship between the brand owner and the retailer. Retailers rightly believe that it is the brand owner's responsibility to protect the integrity of the brand by eliminating counterfeit products from the market. Many retailers do not want to be associated with brands which are routinely counterfeited. Finally, consumers are adversely affected when they purchase counterfeit products,

which rarely – if ever – meet the standards of the brand owner. Counterfeit products seriously erode the consumer's confidence in the integrity of the brands. While some consumers may knowingly purchase counterfeit goods, most buyers want the quality or warranty available only with the genuine product. If these consumers cannot tell legitimate products from counterfeit products, they often become displeased with the brand.

The problem for US brand owners (as well as the retailers and consumers of those brands) has become more acute with the rise of the Internet. The advance of the Internet has been accompanied by a significant expansion in the United States of the open sale of counterfeit products. These goods, once relegated to street corners and back alleys, are now prominently featured on e-commerce and online auction websites.

Moreover, current technology allows counterfeiters to copy images and text (indeed, entire advertisements and websites) of the brand owners with minimal effort. This copying makes it even more difficult for consumers to recognize which products are unauthorized. The picture on the online auction site may be a picture of the real product, but what the customer gets may not be. The Internet and technology also provide counterfeiters with a global reach at a cost that is significantly lower than traditional operations.

However, once a product reaches the consumer, it may be too late in many cases to take truly effective action. Further, depending on the legal system alone is often not enough. Litigation in the United States is expensive and time consuming. Accordingly, a US brand owner must be diligent in the prevention of the manufacture and distribution of counterfeit products and not depend on the legal

system alone. It is only by being diligent in preventing counterfeit products from being manufactured and distributed that a brand owner can truly expect to make some impact on the sale of counterfeit products. Set forth below are a few steps that a US brand owner can take to combat the problem of counterfeiting.

## **Monitoring the manufacturing process**

As a first step, brand owners should monitor the manufacturing process. However, most goods sold in the United States are now manufactured outside of the country and this overseas production makes it harder for US brand owners to monitor the manufacturing process itself. It also makes it more difficult for them to ensure the conduct of those operating the manufacturing facilities.

Whatever steps the brand owner can take to manage proactively the supply chain in the manufacturing process can reduce the number of counterfeit products entering legitimate trade channels. Brand owners should ensure that all materials, parts, labels and packaging are authentic and not produced in amounts over the authorized level. Periodic audits will ensure that manufacturers (or licensees or sub-licensees) are not running third shifts or over-producing. Brand owners should make certain that their IP agreements allow for such audits, as well as for these audits to be unscheduled in order to get a true picture of what is happening at the manufacturing level.

Another consideration is to use available technology to ensure product security. There are numerous authentication systems on the market, both overt (eg, holograms) and covert (eg, markers), which can be used to track shipments and trace products. The authentication industry has its own trade association made up of both providers

and users: the International Authentication Association. Its website ([www.internationalauthenticationassociation.org](http://www.internationalauthenticationassociation.org)), which provides detailed information on various authentication systems, is worth reviewing.

### Controlling the distribution process

It is no secret that certain countries, such as China and South Korea, produce a significant number of counterfeits. These products can easily make their way back to the United States for distribution. Unauthorized distribution channels provide perfect cover for the counterfeiter's actions. One way to control distribution is to monitor imports at the US borders. Of course, a brand owner cannot do this by itself. Fortunately, the United States has an efficient procedure for the recording of US trademark registrations (and US copyright registration) with the US Customs and Border Control (CBP) Agency. Recording a trademark or copyright registration can be done easily using an online form and at a low cost (\$190 per copyright registration and \$190 per class of goods in each trademark registration to be recorded).

It also helps to provide samples of legitimate product and assist the CBP authorities to recognize both legitimate and counterfeit products. It is also useful for the CBP to receive information about known bad entities from brand owners. This enables the CBP to increase scrutiny of shipments from particular facilities or for particular importers. Finally, the brand owner should develop procedures with CBP to obtain information on the source of any counterfeit products seized and the names of businesses (and individuals) involved with both exportation and importation.

In addition to stopping the import of counterfeit goods, brand owners should be vigilant in ensuring that they sell only to legitimate distributors and retailers. Brand owners should utilize normal risk management procedures to verify their legitimacy. A brand owner would refuse to do business with any distributor or retailer that was not creditworthy and it should be no different if the distributor or retailer has been involved with counterfeit goods. It is all too common for unscrupulous distributors to mix counterfeit items and legitimate goods in the same shipment. If a brand owner learns that a certain distributor or retailer has been involved in such fraudulent activity, it should refuse to deal with that entity just as it would refuse to deal with an entity that was unable to pay its invoices.



**Jeffrey Van Hoosear**  
Partner, Knobbe Martens  
Olson & Bear LLP, Irvine  
[jvanhosear@kmob.com](mailto:jvanhosear@kmob.com)

Jeffrey Van Hoosear is head of the trademark department and a partner at Knobbe Martens Olson & Bear LLP. He specializes in trademark, entertainment, rights of publicity and licensing matters, and has spoken and written extensively on these subjects. Mr Van Hoosear represents clients in the apparel, sporting goods, entertainment and e-commerce industries.

### Controlling the legal process

It is also incumbent upon the brand owner to monitor the retail market (both traditional and online) and take appropriate action against those who deal in counterfeit products. Fortunately for brand owners, the United States has the necessary legal framework for brand protection. There are a number of IP, unfair competition and anti-counterfeiting laws to protect brand owners' rights. Further, these laws also help deter fraudulent activity, such as counterfeiting. For example, one litigation strategy is to take action against one (or more) small counterfeiter and obtain as much publicity on the actions as possible. Many trade publications will report on such legal actions and spread the word that the brand owner is willing to litigate. These legal actions and the accompanying publicity will help the brand owner control the legal process (and the associated cost), and at the same time demonstrate to all counterfeiters that they are at risk. If such actions can deter even a small number of counterfeiters, they should be viewed as a success.

Although this is not a true legal strategy in that the US courts are not involved, brand owners should also work with the e-commerce online auction websites and use

their contractual procedures to control counterfeits. Online auction site eBay has a worthwhile procedure to stop counterfeit sales called the Verified Rights Owner (VeRO) programme. The VeRO programme is easy for brand owners to use and enables eBay to remove quickly listings which use unauthorized material or offer counterfeit products. The programme also provides information on the selling entity to the rights holder. This way, the brand owner can also take further legal action against the seller if warranted.

### Conclusion

If a brand owner takes the steps outlined above, it will send a clear message to manufacturers, distributors, retailers and even consumers that it is committed to both stopping counterfeiting activity and taking action against those that counterfeit. While tightening the manufacturing process, monitoring the distribution chain and bringing the appropriate legal actions will not bring an end to counterfeiting, they will certainly help. Experience has shown that counterfeiters are less likely to infringe the brands of those that constantly chase them. [WTR](#)