

Industry insight

Pirates of the brand name: the curse of the counterfeit products

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Avast ye (stop and pay attention)! An introduction

You may be an in-house trademark professional or an outside trademark agent or counsel. Either way, it is likely that you have had to or will have to face some tough decisions about how to handle the issue of counterfeits. As technology improves and the price of equipment falls, the difficulty in detecting counterfeit products and trademarks – as well as in tracking counterfeiters and enforcing IP rights against them – is rising all the time. The pharmaceutical, automobile and personal care industries have been hit particularly hard, although other consumer product industries have also been affected. The critical nature of anti-counterfeiting efforts is driven by economic and other considerations, such as the health and safety of consumers around the world. This chapter focuses generally on the problem of counterfeiting and specifically on strategies that may be useful in your anti-counterfeiting mission.

Defence is often a great offence. It is important for in-house trademark professionals to work with outside trademark professionals and business affiliates, including government agencies, to tackle counterfeiting issues effectively. Coordinating efforts with in-house corporate security teams and law enforcement agencies to ensure that the appropriate protections for your client's trademark assets are in place is just one step in the process. Keeping the public informed of the dangers of purchasing counterfeits is another, and may require clients to

collaborate with competitors, local businesses and professionals in the marketing industry. A unified effort is a crucial component in successfully reducing the problem of counterfeiting.

Defining piracy and counterfeiting

Piracy is many things. The fourth edition of *The American Heritage® Dictionary of the English Language 2000* defines 'piracy' as "robbery committed at sea; a plunderer". The International Trademark Association defines it as "the manufacture and/or sale of inauthentic products under spurious marks, both made to resemble the original" (see www.inta.org/TrademarkBasics/Pages/glossary.aspx). One who 'counterfeits' is one who "imitate[s] or feign[s] especially with intent to deceive; also: [one who] make[s] a fraudulent replica of" (definition of 'counterfeit', *Merriam-Webster Online Dictionary*, 2011 www.merriam-webster.com (March 9 2011)). According to the US Code of Federal Regulations, Title 19, Section 133.21 (19 CFR 133 *et seq*), a 'counterfeit' is "a spurious mark that is identical with, or substantially indistinguishable from, a registered mark; an inauthentic copy or imitation of a product, made to resemble the original, often marketed or sold under a spurious mark".

The definition of a 'counterfeit' may be more specifically tailored within an industry. For example, the World Health Organisation defines a 'pharmaceutical counterfeit' as "one which is deliberately and fraudulently mislabeled with respect to identity and/or source. Counterfeiting can apply to both branded and generic products and counterfeit products may include products with the correct ingredients or with the wrong ingredients, without active ingredients, with insufficient active ingredients or with fake packaging" (). Aside

from the obvious harm that counterfeit pharmaceuticals cause to trademarks, the harm to consumers from these dangerous fakes is staggering. Products from antibiotics to steroids have been seized containing no or the wrong or the incorrect amount of active ingredient (*ibid*). Knowing the correct definition and how that definition will likely be interpreted for enforcement purposes is significant.

Protecting your doubloons

A cost-benefit analysis is a good start to any anti-counterfeiting strategy. So is identification of the goal. It may be unreasonable to believe that you can eliminate every counterfeit from the market, so included in the initial analysis should be decisions about which marks to enforce. Finances are rarely unlimited, so it is wise to tailor a realistic goal to a budget for moving forward. In doing so, consider the potential for harm that could result from not starting an anti-counterfeiting programme. Evaluate the likelihood of achieving the goal or goals that you have set and balance that against possible courses of anti-counterfeiting action, which may depend on the geographic region in which your business is focused (rather than the whole world). Reflect on not only the real costs, but also the business costs – including harm to reputation, expansion of product lines and consequences of not taking action. Trying to identify the law enforcement agencies that may be in a position to enable your anti-counterfeiting activities could well be a useful step in the process.

Customs booty

When it comes to government assistance, an excellent place to start is with US Customs and Border Protection, which keeps records and publishes statistics about

IP rights violations. “The seriousness of intellectual property rights and the importance of protecting them is not always well understood,” says Customs Commissioner Robert C Bonner. “IPR theft undermines and saps the creativity that America is built upon.” () Each year, billions of dollars are lost as a direct result of counterfeit goods. In 2009 Customs seized more than \$260 million worth of counterfeit products in more than 14,000 separate seizures (). These seizures include not only the usual luxury items, but also shampoo, batteries and other mass consumer products.

Customs protects IP rights by seizing and destroying merchandise that infringes federally registered trademarks. There are hundreds of official ports of entry, each with officers who monitor entries in order to enforce import and export laws. In addition, Customs protects property rights by seizing merchandise that infringes federally registered trademarks (or copyright). Seized merchandise that carries counterfeit marks must be destroyed, unless the rights holder provides written consent and the merchandise is not unsafe or a health hazard. Trademarks registered at the US Patent and Trademark Office’s principal register are eligible for protection when recorded with Customs, provided that the registration is current. Recordation takes place in Washington, DC at the IP Rights Branch of Customs. The government fee is relatively nominal, considering the enforcement potential – \$190 for each international class for which the applicant desires to record the trademark with Customs (). Customs has a searchable database (the IP Rights Search (IPRS)), which contains public versions of Customs’ IP rights recordations. The recordations can be retrieved using keywords and Boolean

operators to search for specific characteristics (). Using IPRS may be useful in structuring your anti-counterfeiting efforts.

I see that when I set my eyes on you! How to identify counterfeits

The cost-benefit analysis is likely not a one-time decision and evolves as successes and failures are taken into account. In addition to actions taken by and through Customs, you can establish your own internal team of counterfeit watchers. Internet watching, either self-monitored or through a vendor (eg, industry or competitor websites that are already established to serve anti-counterfeiting purposes), may be valuable. Third-party monitoring services and/or the people power necessary to realise internal monitoring should be budgeted for depending on your goals, in order to avoid surprise costs later.

Once you have decided which marks to record with Customs and have duly recorded them, what happens when you get a call from a Customs official telling you that a shipment of potentially counterfeit goods bearing your client’s mark has been stopped? It is important to be able to identify counterfeit products visually. You should know the signs to help to distinguish between genuine and counterfeit products and be able to communicate these to Customs officials. Important things to check for include:

- whether the packaging includes protections such as perforated seals, special number identifiers on the product itself or the packaging or hang tags;
- the correct size of the authorised products;
- the correct colours in which the product is available;

- whether the products use barcodes on the packaging or other visual security features such as holograms or special insignia; and
- whether any writing, including trademarks, on the product or its packaging, labels or tags is spelled correctly.

Blimey! What if it ain’t on the outside?

If you are unable to distinguish genuine goods from counterfeits by visual or external inspection, there may be ways of identifying the differences from the inside. Some products may have safety features built in that can be felt from the outside – if the feature cannot be discerned, the product is likely to be a counterfeit. Knowing the details of the product’s manufacturing process is important. It might also be worthwhile investigating the cost and benefit of using radio frequency identification technology: tiny silicon chips and antenna are attached to each bottle of medicine or to shipping packages containing multiple products. Chips store unique product codes that reflect information about the manufacturer and shipping history. In addition, it may be possible to use ultraviolet markers, micro batch codes or chemical or fluorescent markers to differentiate genuine goods from counterfeits. The decision to implement forensic technology should be based on a cost-benefit analysis of factors such as public health and safety resulting from the consumption or use of counterfeits by consumers (ie, how dangerous counterfeit products can be).

Identifying counterfeits can be even more difficult for consumers, so it is vital to educate the public as to why it is so important to purchase through known, trusted entities. Some pharmaceuticals

require a prescription and hundreds of dollars for a small amount; this can tempt some consumers to turn to the Internet and website pharmacies as an alternative, believing that the products they receive will be legitimate. Many counterfeit-selling websites are so sophisticated and professional looking that they feature photographs of families or elderly people (depending on the pharmaceutical being promoted) and claims of affiliation with federal approval agencies such as the Food and Drug Administration. Such websites may feature (without authorisation) trademarks of other brands, including shipping companies. A consumer may even be permitted to send any questions they may have to a so-called 'doctor'. However, investigations often reveal that such websites, along with any associated email addresses, are not located in North America – as indicated by the website images and the country-code top-level domain names '.us' or '.ca' – but more usually in jurisdictions such as China, Korea or the Philippines. It is important to educate consumers that websites which claim that no prescription is needed or promise a prescription without the patient being seen by a doctor are undoubtedly counterfeit and dangerous.

This can be achieved by:

- posting information on the rights holder's website;
- putting the information in the hands of government officials and, in the case of pharmaceuticals, in the hands of physicians, sales representatives, pharmacies and other legitimate suppliers; and
- advertising over radio and television, as well as other media.

Scallywags: restricted grey-market articles may not be considered counterfeit even if unauthorised

A restricted grey-market article is a non-US made good bearing a genuine trademark or trade name that is identical with or substantially indistinguishable from one owned and recorded by a US citizen or a corporation or association created or organised within the United States, and that has been imported without the authorisation of the US owner. Restricted grey-market goods include those where the trademark is applied:

- by a licensee independent of the US owner;
- under the authority of a foreign trademark owner other than the US owner, a parent or subsidiary of the US owner, or a party otherwise subject to

common ownership or control with the US owner from which the US owner acquired the domestic title, or to which the US owner sold the foreign title(s); or

- by the US owner, a parent or subsidiary of the US owner, or a party otherwise subject to common ownership or control by the US owner.

Such marks are applied to goods that US Customs has determined to be physically and materially different from the articles authorised by the US trademark owner for import or sale in the United States (see Title 19 Section 133.23).

How the trademark portfolio is managed within a company and globally has an impact on whether the rights holder will be able to stop grey-market goods from entering the United States. Sometimes, creative and potentially high-risk strategies need to be implemented in order to allow the rights holder to prevent grey-market products from invading local markets. Strategic legal input is a good idea if grey-market activity is an issue for a rights holder.

Aaaarrrrrr – sailing to victory! Improving your chances of success

It may be useful to hire private investigators to achieve your anti-counterfeiting goals. It will definitely be helpful to meet personally with Customs officials and educate them about differences between genuine and counterfeit goods by providing them with a list of authorised factories and shippers of your products, as well as the identity of authorised distributors. Prosecuting major counterfeiters will also help the message to penetrate the depths of the counterfeiting underworld. In addition, the following organisations may be able to provide assistance.

The International Anti-counterfeiting Coalition

Formed in 1979 by manufacturers concerned with worldwide counterfeiting, the International Anti-counterfeiting Coalition is the largest multinational organisation devoted exclusively to fighting brand-name counterfeiting. The coalition comprises Fortune 500s, small businesses, law firms, investigators, industry trade associations and product security developers. It lobbies local, state, federal and international government agencies for stronger IP laws and penalties for criminals. In addition, it participates in regional and international programmes aimed at improving IP enforcement standards.

The Coalition Against Domain Name Abuse

The Coalition Against Domain Name Abuse was formed in 2007 by brand owners concerned about worldwide domain name abuse. With founding members including Fortune 500 companies, the coalition is a growing organisation devoted exclusively to fighting brand abuses in the domain name space and the consumer harms they enable. Its goals include reducing the volume of infringements, increasing penalties for cybersquatting and making online enforcement a more manageable task. The coalition, like the International Anti-counterfeiting Coalition, lobbies local, state, federal and international government agencies for stronger IP laws and penalties for cybersquatters. All efforts are focused on providing rights holders with better remedies to deal with cybercriminals, regardless of where they originate.

Whatever creative means you have at your disposal, education and the joint efforts of your company, your clients, their competitors and local, national and international agencies and organisations are important components of a successful anti-counterfeiting programme. [WTR](#)

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