



THOMSON REUTERS PROTECTING IP RIGHTS GLOBALLY

**COUNTERFEITING IN THE CHANGING TRADEMARK LANDSCAPE.
AN EXPERT PERSPECTIVE.**

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Partner, Rouse



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Director-General
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How to protect your brand, monitor the physical market and develop an effective anti-counterfeiting strategy

Arty Rajendra
Partner, Rouse



IP THEFT

- Counterfeiting is inevitable
- Challenge is to develop a proactive strategy
- Be close to the business
- Prioritise by brand/market
- Have a tiered strategy
- Have metrics in place to measure success

BEST IP PROTECTION FOR ENFORCEMENT

- Invest in good registered rights protection
- Good record-keeping needed if relying on unregistered rights
- Quick registered rights
 - Trademarks
 - Designs

BEST IP PROTECTION FOR ENFORCEMENT

- Look at IP protection through the infringer's lens
 - Register in source countries
 - Trademarks and designs in China
 - Register secondary items/goods e.g. class 16

BEST IN-HOUSE PRACTICE FOR ENFORCEMENT

- Keep your supply chain clean
- Effective and rigorous differentiators between genuine and counterfeit products
- Share intelligence between IP protection and IP enforcement teams

MONITORING FOR INFRINGEMENTS

- Sales force
- Trade partners
- Investigators
- Competitors
- Trade fairs
- Industry associations
- Law enforcement agencies (e.g. Customs)
- Your own lawyers

MAKING YOUR MONITORING MORE EFFECTIVE

This requires good:

- Awareness
 - Including management and local business buy-in
- Education
 - Including identification training kits
- Communication
 - Including standard sighting forms, specific email addresses, clear media relations position

EU Customs example:

- Risk-profile intelligence
- Increase in postal traffic
- Zero-tolerance or explicit thresholds

IDENTIFYING TARGETS

- Picking the right target
 - Is it always right to target the ultimate source?
 - Disrupting the supply chain maybe more effective
 - What about investing IP spend in your most profitable markets instead?

ENFORCEMENT STRATEGY

Have you got the:

- Right target
- Right IP
- Right place
- Right relief
- Right time
- Right way to record, interrogate and share the data

METRICS

- How can a successful enforcement campaign be measured?
- Is number/value of items divided by spend too simplistic?
- Do you need a range of measures?
 - One big widely publicised case
 - More licensees
 - Happy authorised distributors

EU CUSTOMS – RECENT DEVELOPMENTS

- New guidance from the Commission on goods in transit from non-EU state to another non-EU state
 - See “Guidelines on transit” document
- Subject to a commercial act directed at EU e.g. sale, offer for sale, advertising
- Correspondence indicates likely diversion into EU
- Destination of goods is not declared
- Lack of precise/reliable info on manufacturer/consignee identity
- Lack of cooperation with Customs

EU CUSTOMS – RECENT DEVELOPMENTS

- New Customs Regulation proposed
 - Reversal of burden of proof for goods in transit
 - Small consignments
 - Inclusion of parallel imports

Protecting your brands on the internet - a case study and recent developments

Ruth Orchard
Anti-Counterfeiting Group

ACG – WHO WE ARE, WHAT WE DO

ACG campaigns against the trade in fakes on behalf of brands such as ...

LOUIS VUITTON



ESTÉE LAUDER JIMMY CHOO



Pernod Ricard
Local roots, global reach



CHANEL



The Anti-Counterfeiting Group
Campaigning Against the Trade in Fakes
www.a-cg.org



OUR WORK

- **Lobbying**

- UK and EU; for enforcement resources, legislative/regulatory change

- **Awareness**

- e.g. media interviews and articles; campaigning partnerships with government/other rights organisations/members

- **Networking/training**

- e.g. internal meetings, ACG and other conferences/roadshows/customs training days

PRODUCT COUNTERFEITING

- A fraud against the consumer
- An attack on legitimate business

The deliberate attempt to deceive consumers by copying and marketing goods bearing well-known trademarks, together with packaging and product configuration, so that they look like they are made by a reputable manufacturer when they are, in fact, illegal copies.

HOW TO PROTECT YOUR BRAND ON THE INTERNET

It's the biggest challenge now facing rights holders, but

- the law doesn't need to change much, other than some updating (e.g. EU Enforcement Directive review),
- the biggest change needed is to attitudes and practices!

BEST 'FAKES' PRACTICES

The online trade in fakes is delivered via a supply chain parallel to legitimate distribution channels:

- online B2B exchanges
- eCommerce sites (many promoted via social media and search engines)
- auction sites
- use of proven marketing techniques (paid search ads, search engine, optimization, unsolicited email, the use of branded terms in domain names)

TWO MAIN ISSUES

1. How to enforce the law effectively in the Internet environment?
2. How to combat sophisticated technology and its anonymity, speed and scale?

THE STORY OF THE FAKE HANDBAG

ebay.co.uk Hello! Sign in/out.

Buy | My eBay | Sell | Community | Customer Support

Women's Handbags Search Advanced

CATEGORIES ELECTRONICS FASHION MOTORS DAILY DEALS eBay Buyer Protection Find out more ▶

Women Men Kids Accessories Fashion Outlet

Women's Handbags

Tell us what you think | Share Like 109

eBay > Fashion > Women's Handbags

Fashion shopping profile

Save your size, favourite brands & other preferences so you can reuse them easily.

Create new profile

Brand

Search in all available brands

- Accessorize
- Animal
- Atmosphere
- Burberry
- Cath Kidston
- Coach
- Debenhams

[See all available brands]

Outer Material

- Beaded
- Canvas
- Cotton
- Crocodile Skin
- Denim
- Faux Leather

Main Colour

Beiges Blacks Blues Browns

Women's Handbags STYLE

- BACKPACKS
- BAGUETTES
- BELT, HIP BAGS
- BRIEFCASES
- CANVAS TOTE, SHOPPER
- CLUTCH BAGS
- EVENING BAGS
- HANDBAG ACCESSORIES
- HOBO BAGS
- MESSENGER & CROSS BODY
- PURSES
- SATCHELS
- SHOULDER BAGS
- TOTES
- WEEKEND BAGS

More than 500 results Items per page: 24 48 96 192 Sort by: Best Match

- White Messenger Across the body Bag Primark/Atmosphere £1.00 | 0 bids (1m)
- Vintage Celebrity Tote Shopping Bag It'bag HandBags Adjustable Handle Brand New £15.99 | Buy It Now
- LADES SILVER BULAGGI HANDBAG £2.50 | 0 bids (1m)
- leather handbags £15.00 | 0 bids (1m)

- White handbag with gold accents
- Pink handbag
- Red handbag
- Woman carrying a handbag

THE LEGAL CONTEXT

- Global problem, national laws.
- Lack of harmonisation at EU level.
- USA spearheading enforcement initiatives e.g. *Operation In Our Sites*.
- Perceived conflict with other legal rights e.g. 'open society' campaigns for 'freedom on the internet'.

SCALE OF THE PROBLEM

Size of the internet market

- 82.5% of UK households now use the internet

<http://www.internetworldstats.com/eu/uk.htm>

- £68billion was spent online by UK consumers in 2011 (>16% over 2010) <http://econsultancy.com/uk/blog/8734-online-shoppers-spent-68bn-in-2011>

- 10% of all UK retail spending was online in 2010

<http://www.which.co.uk/news/2011/10/1-in-every-10-is-now-spent-online-269140>

SCALE OF THE PROBLEM

In just one sector:

Survey of sports apparel sector 2011 by MarkMonitor

(ACG member, forensic internet investigations and solutions)

<https://www.markmonitor.com>

- More than 6,000 suspects selling more than 1.2 million shirts or jerseys
- Annually over the Internet, generating nearly \$25 million in revenue
- The e-commerce sites involved attracted 56 million annual visits
- To attract traffic to their sites, the fraudsters occupy almost 28% of all ads triggered by branded keywords
- An estimated 11 million annual visits to their sites are diverted from other sites by this marketing method alone

HELP IS AT HAND

- Technology exists for identifying and quantifying worldwide online counterfeiting activity as it affects a specific brand.
- Once visible, infringement can be prioritised and attacked.
- Brand owners must stop the trade in fakes at both ends of the process i.e. at both the supply/promotional end and at the distribution points.

TIPS FOR FIGHTING ONLINE COUNTERFEITERS

1. Attain global visibility
2. Monitor points of promotion
3. Take the initiative
4. Fight online counterfeit sales holistically
5. Let online intelligence inform offline defence measures
6. Act swiftly—and globally
7. Educate your customers

CASE STUDY

- Well-known luxury goods manufacturer blocks auctions of counterfeit items totalling \$1 billion in two months, using online protection solutions provided by ACG member MarkMonitor
- https://www.markmonitor.com/download/cs/cs_luxurygoods.pdf

BRAND IMPACT OF ONLINE COUNTERFEITING

All the above will seem worthwhile compared to the likely consequences of doing nothing:

- According to the Secretary-General of the ICC, multinational manufacturers lose approx ten percent of their top-line revenue to counterfeiters
- Perceived brand value suffers when knock-offs become plentiful (ref survey of city analysts)
- Brands may lose representation in distribution channels when re-sellers and affiliates see a reduction in demand due to competition from fakes
- The availability of cheaper, albeit fake, alternatives can exert downward pressure on legitimate brand pricing

IMPACT ON BRAND VALUE

- Product safety issues (especially in pharmaceutical, automotive, aviation, healthcare electronics and similar industries) -> increased legal liability risks.
- Quality problems with fake goods can affect the legitimate brand's customer base.
- Service warranty costs can climb.
- Marketing costs also rise as illicit sellers (a) bid up paid search advertising costs (b) erode legitimate search engine optimisation (SEO) investments.

OTHER IMPACTS

- Risks to the consumer
- Economic harm
- Links to other serious organised crime

RECENT DEVELOPMENTS...

... relating to the Internet challenge

- UK Cyber Security Strategy
- Enforcement Directive Review, EU Commission
- IP Enforcement Coordinator, USA
- Anti-Counterfeiting Trade Agreement (ACTA)

UK CYBER SECURITY STRATEGY

With the recent hacking of the Home Office website, the Cabinet Office's press release about the UK government's new Cyber Security Strategy, issued in November 2011, is even more prophetic:

<http://www.cabinetoffice.gov.uk/news/protecting-and-promoting-uk-digital-world>

"..there are more than 20,000 malicious emails on Government networks each month, 1,000 of which are deliberately targeted..."

UK CYBER SECURITY STRATEGY cont'd

The strategy sets out, among other things, commitments to:

- *expand the use of 'cyber-Specials' (i.e. police with relevant specialist skills) to help the police tackle cyber crime,*
- *create a cyber crime unit within the National Crime Agency by 2013 (this will draw together various existing units within SOCA, the Met Police etc) to help deal with the most serious national-level cyber crime,*
- *encourage the police and the courts to make more use of existing cyber sanctions for cyber offences (e.g. restricting access to the internet),*
- *make it easier to report financially motivated cyber crime by establishing a single reporting system for businesses and the public : ('Action Fraud' – the national fraud reporting and advice centre run by the National Fraud Authority – will become the central portal for reporting any financially motivated cyber crime).*

ENFORCEMENT DIRECTIVE REVIEW

- Following a consultation last year, the EU Commission recently published a 'roadmap' to the review of the Directive on Intellectual Property Enforcement (2004/48/EC) <http://www.edri.org/edrogram/number10.3/review-ipred-directive>
- This Directive does not seek to harmonise criminal laws in the EU, and was negotiated in 2002-3. It did not anticipate the opportunities offered by the Internet for IPR infringements.
- Other issues that could need special attention are the use of provisional and precautionary measures such as injunctions, procedures to gather and preserve evidence (including the relationship between the right of information and protection of privacy), clarification of the meaning of various corrective measures, including the costs of destruction, and calculation of damages.
- Much of the work being done at present in the context of this review could be superseded if/when the Anti-Counterfeiting Trade Agreement (ACTA) is finally ratified by its 37 signatory countries (see later slides)

IP ENFORCEMENT COORDINATOR USA

Victoria Espinel (who reports directly to the White House) has recently issued her 2011 report on the development of the USA's new IPR enforcement strategy:

http://www.whitehouse.gov/sites/default/files/omb/IP_EC/ipec_annual_report_mar2012.pdf

This provides an example of clear and accessible government reporting and a model for the creation of a workable strategy.

IP ENFORCEMENT COORDINATOR USA

Its sections on internet enforcement are particularly relevant here:

- voluntary agreements with ISPs including AT&T and Time Warner to reduce online infringements,
- ditto with major credit card companies and payment processors to withdraw payment services for infringing websites,
- Operation Pangea IV (where the US led coordination with INTERPOL, the World Customs Organization and law enforcement in 81 countries) hit websites globally which were supplying illegal and dangerous medicines,
- policy engagement with the Chinese Government, which agreed to develop solutions to combat the sale of fakes on the Internet,
- *Operation In Our Sites* - 362 domain names and \$435,579 in illicit profits have been seized in this operation to date.

ANTI-COUNTERFEITING TRADE AGREEMENT (ACTA)

- ACTA is intended to create a global 'gold standard' for IPR enforcement to combat the worldwide threat of IP crime, which will also benefit developing countries.
- ACTA was jointly announced on 23rd October 2007 by Ambassador Susan Schwab, US Trade Representative, and Peter Mandelson, EU Trade Commissioner, aiming to complete negotiations by the end of 2008!
- Its original scope was counterfeiting (criminal trademark infringements) but
 - Some thought it a mistake to include copyright infringement and this has proved to be a valid concern as it has focussed intense interest on digital internet issues, rather than online counterfeiting
 - 'Open society' interests in Europe have taken the opportunity to portray ACTA as a threat to Internet freedom

ANTI-COUNTERFEITING TRADE AGREEMENT (ACTA) cont'd

- The EU Commission has just referred to the Court of Justice of the European Union (CJEU) the question: *Is the Anti-Counterfeiting Trade Agreement (ACTA) compatible with the European Treaties, in particular with the Charter of Fundamental Rights of the European Union?"*
- The ratification process has stalled while this question awaits a ruling - some countries have not even signed up yet (the first stage, prior to national ratification).
- Meanwhile, the EU Parliament is at Committee stage in its deliberations (having also threatened to refer ACTA to the CJEU); a vote is expected at the end of April.
- The eventual extent to which ACTA will help to achieve global IPR enforcement on the Internet is impossible to predict.
- More background information is available on the US Trade Representative and EU Commission websites:
http://ec.europa.eu/trade/tackling-unfair-trade/acta/index_en.htm
<http://www.ustr.gov/acta>

THANK YOU



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MORE QUESTIONS?

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THANK YOU FOR ATTENDING!