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Taking action against counterfeit goods

Situation

We learned that counterfeits of our client's goods were in the marketplace. Until then, our client had the erroneous belief that counterfeiting was primarily a problem in the recording, clothing and accessory fields. We needed to determine how to distinguish genuine versus counterfeit goods and then take appropriate action.

In-House Counsel Challenge

The challenges faced were to: (1) identify why the company and counsel were not aware of the problem; (2) quickly address the problem, while recognizing that it will not be eradicated despite best efforts; (3) attack the problem in a cost-effective way; (4) develop long-term strategies; and (5) recognize that cooperation with others in the same field may be an effective way to address counterfeit goods.

Approach Taken

Identify Why In-House Counsel was not Aware of Existing Counterfeit Goods

In-house and outside counsel worked together to address this issue:

- Lack of "early warning system" that would inform the company and legal department of evidence of counterfeit goods in the U.S. market;
- Companies assume "overage" or diverted goods and do not recognize these as counterfeits; and
- Balance fall-out from counterfeits in terms of lost profits and bad publicity, which could result in consumers questioning the authenticity of the product and turning to competitors' products.

How to Address Problem

First, must recognize that this is a long-term problem that has no immediate solution:

- Long-term solution might require increased attention to trade policies and require increased participation in political process (lobbying);
- Need for greater enforcement of IP rights in major manufacturing countries (China, India, etc.) through registration, recording and policing activities as well as lobbying;
- Despite best practices and efforts to eradicate counterfeits, problem will persist and probably increase before solutions are found;
- Utilize USPTO's attaché in key countries where counterfeiting is significant.

Cost-effective Techniques to Address Counterfeiting

Utilize the U.S. Customs procedures to record claims to trademark and copyright:

- Very cost-effective process;
- Record key trademarks and copyright registrations to block importation of counterfeit products (can't record patents);
- U.S. Customs now CBP (Customs & Border Protection)
- Recordation inexpensive and valid for life of property (requires renewal as trademark is renewed);
- Must provide CBP with details of place of manufacture, etc.;
- Information recorded with CBP must be updated as circumstances change;
- CBP will then notify counsel (in-house or outside) as relevant information is obtained by CBP; and
- Must act quickly when notified of suspect shipment, or CBP will release goods.

Potential Risks or Downsides of Recordation with CBP

Fear of genuine goods being delayed by CBP and other risks:

- Some companies suspicious of sharing too much information with federal government, or concerns that information supplied to CBP will be shared with competitors;
- Genuine concern that if information provided to CBP is not regularly updated, genuine goods manufactured abroad may be delayed by CBP;
- Need to provide list of authorized importers of products; and
- Multinationals and companies with large sublicense/manufacturing programs may have more difficulty gathering and supplying accurate information regarding place of manufacture of products.

Develop Long-Term Strategy

Depending on industry, may involve various facets:

- If counterfeiting is increasingly serious problem, consider training CBP agents how to recognize counterfeit products (training at ports);
- Ongoing investigations/raids in U.S. and elsewhere to get the word out that it is not profitable to counterfeit your products;
- Work with trade groups or form coalition of companies in the industry to specifically address common problems; and
- Become active in CACP (Coalition Against Counterfeiting & Piracy) and utilize their tools.



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