

Minimizing Trademark Counterfeiting And Preserving Brand Equity

Goodwill associated with a trademark, an aspect of brand equity, is fostered in the marketplace only after the deployment of considerable resources and effort. Counterfeiters train their sights on a trademark as soon as it gains a foothold in the consciousness of consumers. A corporation will

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find many eager counterfeiters because the profits to be derived from counterfeiting activity are huge. The well-oiled machinery of counterfeiting quickly acquires roots and a Hydra-headed distribution network. It is in the interest of a corporation to implement an anti-counterfeiting program that is adaptable and effective prior to even marketing a product. After the launch of a product, the anti-counterfeiting measures must continue, albeit in a modified form. In this article we provide a bird's-eye view of some of the measures that a corporation may take to minimize the probability of its brand being poached (perhaps, even destroyed) and to increase the profile of risk for counterfeiting activity.

Pre-launch measures

A trademark links the goods and the single source of those goods. Preservation of this link is at the heart of any anti-counterfeiting measure. Once

this association is broken, it spells doom for that trademark because it has, at that stage, become an unreliable symbol of the source. The path to a strong link is considerably smoother when anti-counterfeiting measures are implemented at or before launch of a product. Although each case presents unique challenges, some measures that are commonly recommended are:

(1) Use "smart" packaging – Adopting packaging that makes it harder for a counterfeiter to copy at the very outset reduces the risk that a counterfeiter will target that trademark/trade dress. Technology should be co-opted to authenticate products and relatively less expensive measures such as holograms, magnetic inks, watermarks, nanotechnology (such as RFID and optical devices), etc. used.

(2) Set up short and impermeable distribution networks – The challenge of balancing availability of goods with a cohesive distribution and sales network can be met by establishing channels with a reputable past and by controlling the availability of gray market goods. Offer retailers incentives to deal exclusively with the company's distribution network.

(3) Liaise with Customs and other law enforcement agencies – Healthy relationships with such governmental agencies should be established, either on one's own or through meaningful participation in relevant trade associations. These relationships assume added importance if the goods, or vital components thereof, are imported.

(4) Obtain appropriate insurance coverage - Battling counterfeiting can become an expensive proposition. Corporations should review their current policies and look to purchasing appropriate insurance coverage that will help mitigate these costs.

Maintenance of brand equity and trademark rights

A company's anti-counterfeiting measures must be lithe to evolve and respond quickly to challenges as they appear. Counterfeiters are adept at responding to measures taken by a trademark owner. It is, therefore, best for trademark owners to keep a step ahead rather than have to play catch-up.

A commonly-made mistake is adopting the same anti-counterfeiting strategy for different goods. Anti-counterfeiting measures and responses vary according to the type of goods involved. For example, a corporation offering apparel and perfume will need a different anti-counterfeiting strategy from one selling pharmaceuticals and other ingestibles, which, again, will be different from one offering electronics or software. The sources of goods, countries involved, channels of trade, arena of retail, consumer base, incentives to purchase, etc. are all markedly varied.

(1) Audit the distribution network – This is an important step in diagnosing loss of integrity of the legitimate distribution chain. Periodic auditing and the establishment of a responsive feedback system will go a long way in preventing trouble at a later time.

(2) Proactively monitor the retail marketplace – This is the last stage at which the trademark owner can take anti-counterfeiting steps before the tainted goods pass into the hands of consumers. Keep abreast of retailing trends and perform random sample checks. If Internet sales are significant, this avenue must also be monitored.

(3) Employ thorough investigative processes – Leads on counterfeiting activity should be viewed seriously and handed over to experienced entities for investigation. If the value of the trademark portfolio so warrants, maintain an in-house investigation department. Investigations must be carried out in a proper manner, or else the entire process of bringing counterfeiters to book could be vitiated. Matters such as recordation of statements, chain of custody and other matters of evidence must be clinically clean to stand firm in a court of law.

(4) Engage counsel – It is imperative to engage experienced counsel who are ready to move aggressively, at very short notice, against challenges to a corporation's brand integrity. Ideally, counsel must be involved in anti-counterfeiting efforts from the product/package design stage forward. When faced with counterfeiting incidents, counsel will also be in a better position to advise as to the optimal blend of aggressive litigation, search and seizure, injunctive relief, and alternative strategies in the best interests of the trademark owner.

(5) Establish a system of records in a "clean room" – Maintain a database of leads, investigative efforts, and the results of investigation, including, results of laboratory or other tests. To ensure integrity of data, access to this database should be limited to designated personnel. Over time, the company will create an extremely valuable resource

that will pay rich dividends in its anti-counterfeiting measures.

(6) Educate and offer incentives – Providing pertinent information to retailers and consumers so that counterfeit goods may be readily detected is a valuable tool that can be employed by trademark owners. Appropriate incentives, such as coupons and mail-in rebates, may also be offered to both retailers and consumers to purchase genuine goods.

(7) Establish a protocol and a crisis plan – Preparedness for meeting adverse circumstances will ensure a timely and appropriate response. An effective protocol will set, among other things, a decision tree, proper benchmarks and triggers, and consistency. A crisis plan should be in place to deal with large-scale outbreaks of counterfeiting incidents and have laboratories, trained investigators and a legal team ready to move at a moment's notice.

As counterfeiting has acquired global proportions and has become a source of funds for other crimes, governments in several countries have enacted laws that have criminalized counterfeiting and that offer succor to trademark owners. Law firms, working in tandem with international organizations, are making headway in procuring benefits for trademark owners in their anti-counterfeiting efforts. With the robust implementation of a good strategy, trademark owners will be able to preserve their brand equity from being eroded by counterfeit goods.

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