



*presents*

# Combating Trademark Counterfeiting on the Internet

## Strategies to Protect Brands in Cyberspace

### A Live 90-Minute Audio Conference with Interactive Q&A

#### Today's panel features:

G. Roxanne Elings, Shareholder, **Greenberg Traurig**, New York

Nicole Batten Emmons, Partner, **Baker & McKenzie**, Dallas

Naresh Kilaru, **Finnegan Henderson Farabow Garrett & Dunner**, Washington, D.C.

**Wednesday, August 19, 2009**

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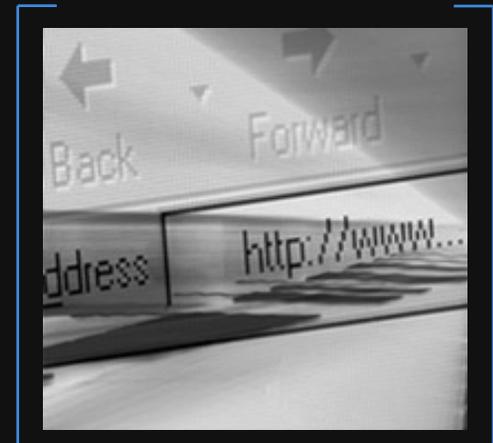
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# Combating Trademark Counterfeiting on the Internet

[ August 19, 2009 ]

## Current Trends in Online Counterfeiting & Protecting Against Online Counterfeiting

G. Roxanne Elings, Greenberg Traurig, LLP

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# Growth In Counterfeiting

- 10,000 percent growth in counterfeiting over two decades



# The Tipping Point

- **Globalization**
- **Advanced Technology**
- **Internet**

# The Scale of Online Counterfeiting

- 500 million Internet users worldwide; 45 million registered domains; 5 – 8 billion actual Internet pages
- Internet counterfeiting will cost U.S. economy \$137 billion in 2008
- 25 percent of all branded goods sold Internet are counterfeit
- \$25 to \$30 billion lost per year worldwide through Internet Counterfeiting and Piracy

# How The Internet Helps The Counterfeiter and Frustrates Enforcement

- **Anonymity**
- **Flexibility**
- **Market Size**
- **Global Reach**
- **Deception**
- **Access to manufacturers**
- **Speed**

# Current Trends in Online Counterfeiting

- Use of forums/chat rooms to recruit sales force
- Business-to-business websites like ioffer, alibaba, tradekey and dhgate allow easy access to Chinese factories
- Use of Sponsored Links; domain names that mimic the brand name to create an aura of legitimacy
- Emergence of “high risk” merchant accounts
- Use of cell phone numbers that roll over; fictitious addresses

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# Protecting Against Online Counterfeiting – Accumulate

- Register and record worldwide
- Monitor the Internet; use existing take down programs
- Send CDs to larger sellers
- Use sources to determine ISPs, payment methods, privacy screens, registrars

# Protecting Against Online Counterfeiting Analyze

- Determine trends and patterns and to identify your “hot spots”
- Record source information; payment information
- Note payment methods; ISPs; Registrars
- ID similarities between sellers

# Protecting Against Online Counterfeiting Act

- Think and act globally
- Use criminal and civil alternatives
- Identify vulnerabilities
- Follow the money
- Third party liability
- Use the Internet to your advantage
- Be imaginative; continue to evolve

# No Easy Answers

- **Danger of not hitting the counterfeiters hard is that they will become better funded, better informed and more daring in their operations.**
- **The stronger the message given, the more counterfeiters will be discouraged.**
- **The alternative is brand dilution and loss of brand value.**



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Finnegan, Henderson, Farabow, Garrett & Dunner, LLP

**COMBATING TRADEMARK  
COUNTERFEITING ON THE INTERNET**  
Strategies to Protect Brands in Cyberspace

**August 19, 2009**

Naresh Kilaru

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# Pursuing Enforcement Actions

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- Evaluate harm and prioritize enforcement
- Investigate
- Cease & desist letters
- Litigation
- Cooperating with government in criminal enforcement actions

# Initial Consideration: To Sue or Not To Sue

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- Consider
  - Time and expense to litigate case



- The worth of the case



# Selecting the Defendant

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- Individual Websites
  - Chanel, Inc. Minran PU (D. Kan. March 18, 2009)
- Online Intermediaries
  - eBay, Amazon.com, Sell.com
  - Tiffany v. eBay (on appeal )
- Going After the Source of the Problem
  - Organized crime/terrorist groups
  - Very expensive and requires close coordination with practitioners and law enforcement officials in several countries

# Investigate

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- Intelligence is key
  - Chances of same defendant owning multiple websites are high
  - Assumed names/shell companies
  - Anonymously purchase samples to confirm products are counterfeit
  - Possibility of monetary recovery
- If going after source, likelihood of obtaining useful information without *ex parte* seizure order is low

# Cease & Desist Letters

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- Can be effective when going after individual websites or online intermediaries
- Potential Advantages
  - Save client substantial expense if counterfeiter is willing to comply
  - Letter places counterfeiter on actual notice and can serve as a basis for arguing willful infringement (and greater statutory damages under 15 U.S.C. § 1117(c))
- Potential Disadvantages
  - High risk of flight / loss of evidence
  - Declaratory judgment action

# Litigation

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- 15 U.S.C. § 1116, Section 34 of Lanham Act
- Elements of counterfeiting:
  - Mark must be federally registered
  - Mark must be identical or “substantially indistinguishable” to the registered mark
    - COLDDATE not substantially indistinguishable from COLGATE for toothpaste
    - BOLIVIA not substantially indistinguishable from BULOVA for watches
  - Defendant must use mark for the goods or services covered by plaintiff’s registration

# Preliminary Motions: Temporary Restraining Order



- Used to preserve status quo and prevent irreparable harm until hearing is held
  - *Granny Goose Foods, Inc. v. Brotherhood of Teamsters*, 415 U.S. 423, 439 (1974).
- Requirements to obtain an ex parte TRO
  - Post a bond
  - Likelihood of success on the merits
  - Immediate and irreparable harm
  - Balance of hardships favors TM owner
  - Counterfeit goods at identified location
  - Showing that non *ex parte* order is inadequate (i.e., risk that defendant will destroy or hide alleged counterfeit goods)

# Seizure Remedy for Counterfeiting

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- Seizure of goods bearing counterfeit marks
- Seizure of “means of making” such counterfeit marks
- Seizure of “records documenting the manufacture, sale, or receipt of things involved in such violation,” Lanham Act § 34(d), 15 U.S.C. § 1116(d).
- Seizure mechanics
  - Notice to U.S. Attorney in specific judicial district
  - U.S. Marshal or other law enforcement officer present

# Asset Freeze Remedy for Counterfeiting

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- Restraint of Assets (i.e., bank accounts)
  - Courts have held that use of U.S. currency in furtherance of illegal conduct outside the U.S. is sufficient to establish jurisdiction over defendants outside the U.S.
  - Lanham Act authorizes the award of an accounting of a counterfeiter's profits
  - Courts have inherent authority to issue an order restraining a defendant's assets to preserve plaintiff's rights to an equitable accounting
  - Standard same as for any injunction

# Preliminary Motions: Preliminary Injunction

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- Courts consider the following factors:
  - Whether the movant has shown a reasonable probability of success on the merits;
  - Whether the movant will be irreparably harmed by denial of the relief;
  - Whether granting preliminary relief will result in even greater harm to the non-moving party; and
  - Whether granting the preliminary relief will be in the public interest
- Some courts order expedited discovery
  - Hearing
  - Attorney Argument or Evidentiary “Minitrial”

# Damages

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- Actual damages or defendant's profits trebled and attorney's fees (absent extenuating circumstances)
- Under 15 U.S.C. § 1117(c) (as amended), instead of actual damages, Plaintiff can elect to instead recover statutory damages of:
  - up to \$200,000 per counterfeit mark per type of goods/services sold, or
  - up to \$2,000,000 per if willful
- No attorney's fees if statutory damages elected
  - ***K&N Eng'g, Inc. v. Bulat***, 259 Fed. Appx. 994 (9th Cir. 2007) (affirming holding of counterfeiting and award of statutory damages); 510 F.3d 1079 (9th Cir. 2007) (reversing award of attorney's fees)

# Counterfeiting Statutory Damages

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- Up to **\$200,000** per counterfeit mark per type of goods or services sold, offered for sale, or distributed, or
- If willful, up to **\$2,000,000** per counterfeit mark per type of goods or services sold, offered for sale, or distributed, Lanham Act § 35(c), 15 U.S.C. § 1117(c) (as amended).

# Statutory Damages

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- *Gucci America, Inc. v. MyReplicaHandbag.com* (S.D.N.Y. 2008)
  - Gucci sought an award based on defendant’s counterfeiting of 424 different “types” of products, using differences in a particular product’s size, shape, color, pattern, or fabric to define each “type”



# Statutory Damages

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- The Court disagreed, instead formulating a “functional purpose” test to define “type”
  - Six “types” of counterfeit goods rather than 242:  
(1) handbags, (2) wallets, (3) handbag and wallet sets, (4) watches, (5) eyeglasses, and (6) belts
  - Award was \$3,600,000 (6 products x 6 marks x \$100,000) rather than \$21.4 million sought by Gucci

# Statutory Damages

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- Prior cases regarding definitions of “type”:
  - T-shirts, polo shirts, and sweatshirts are 3 “types”  
(*Nike v. Top Brand Co.* (S.D.N.Y. 2006))
  - 28 different “types” of jewelry  
(*Tiffany v. Luban* (S.D.N.Y. 2003))

# Criminal Enforcement

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- Patriot Act
  - Extends jurisdiction under RICO to counterfeiters outside the U.S. if they are dealing in U.S. dollars
  - Proceeds of counterfeiting activity can be seized
- Trademark Counterfeiting Act
  - Provides up to 10 years of imprisonment and up to a \$2 million fine. 18 U.S.C. § 2320(a)
- Counterfeit Labeling
  - Provides up to 5 years of imprisonment and a \$250,000 fine. 18 U.S.C. § 2318

# “Counterfeit” Domain Names

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- *Playboy Enters. v. Asiafocus Int’l, Inc.*, 1998 U.S. Dist. LEXIS 10359 (E.D. Va. 1998)
  - As displayed adult photo collections and merchandise at websites at [asian-playmates.com](http://asian-playmates.com) and [playmates-asian.com](http://playmates-asian.com)
  - “Asian Playmates,” URL <http://www.asian-playmates.com>, and “ASIAN-PLAYMATES FOR THE PLAYBOY IN ALL OF US” displayed on website
  - PLAYBOY and PLAYMATE marks embedded within the website’s metatags, and PLAYBOY and PLAYMATE marks to promote the sale of goods and services (playing cards, calendars, wrist watches, and key chains)
  - As “multiple uses” of the marks PLAYMATE and PLAYBOY constituted uses of “counterfeit marks.”

## “Counterfeit” Domain Names

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- *Aztar Corp v. MGM Casino*, 2001 U.S. Dist. LEXIS 13118 (E.D. Va. 2001)
  - As registration and use of domain name *tropicanacasino.com* for online gambling site “counterfeit” use of P’s registered TROPICANA mark for online gambling

## “Counterfeit” Domain Names

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- *Petmed Express, Inc. v. Medpets.com, Inc.*, 336 F. Supp. 2d 1213, 1216 (S.D. Fla. 2004)
  - medpets.com and 1888medpets.com counterfeits of plaintiff’s federally registered PETMED EXPRESS, INC. and 1888PETMEDS marks for pet-care medicines and products
  - \$800K awarded for counterfeiting (\$400K per mark)
  - \$100K awarded under the ACPA (\$50K per domain name)

## “Counterfeit” Domain Names

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- *Dell Inc. v. BelgiumDomains, LLC*, 07cv-022674-JORDAN (S.D. Fla.)
  - Ex parte TRO and application for seizure granted
  - Substantial likelihood of success on cybersquatting and counterfeiting claims
    - Domains contained DELL Mark (e.g., dell-computers-help.com), and were counterfeits because they were identical to, or substantially identical to DELL mark
    - Defendant used domains for advertising services identical to those covered by Dell’s registrations

# Combating Trademark Counterfeiting on the Internet

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**Nicole Batten Emmons**  
**August 19, 2009**

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# Best Practices for Pursuing Online and Traditional Counterfeiters

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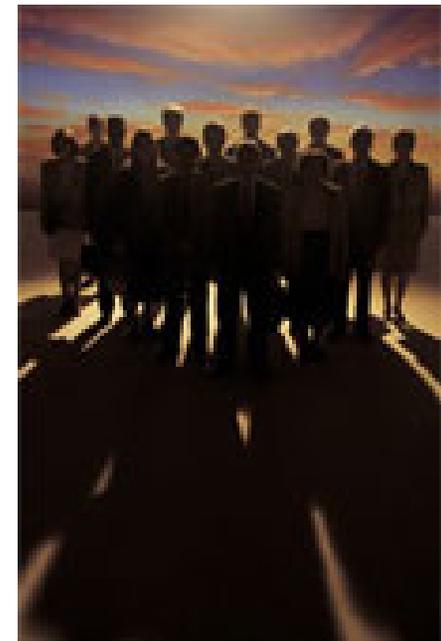
# Tip 1: Review Your Intellectual Property

- Rank your products and/or trademarks by importance
- Choose your bestsellers to protect first
- Register associated domain names and common misspellings
- Register your primary marks not only in the countries where you are selling product but also where product is being manufactured
- Review market trends to predict what needs to be protected
- If software is being infringed, have copyright registered



## Tip 2: Form an Anti-Counterfeiting Committee

- The People In The Know Are Right In Front of You
  - International and Domestic Sales
  - Legal Department
  - Product Development/Manufacturing
  - Product Security
  - Marketing Group
  - Public Relations



## **Tip 3: Impose Contractual Limitations and Supply Oversight**

- Secure and Enhance Your Manufacturing/Supply Channels
  - Ensure “third shift” practice is not happening
- Review contracts with manufacturers and distributors
  - Ensure right to audit
- Inventory tracking strategies – serial numbers/holograms

## Tip 4: Consider Additional IP Protection

- Your products may have other desirable features to protect
- Expand protection of your product portfolio, e.g., consider design patent protection for your product's appearance on copyright for software



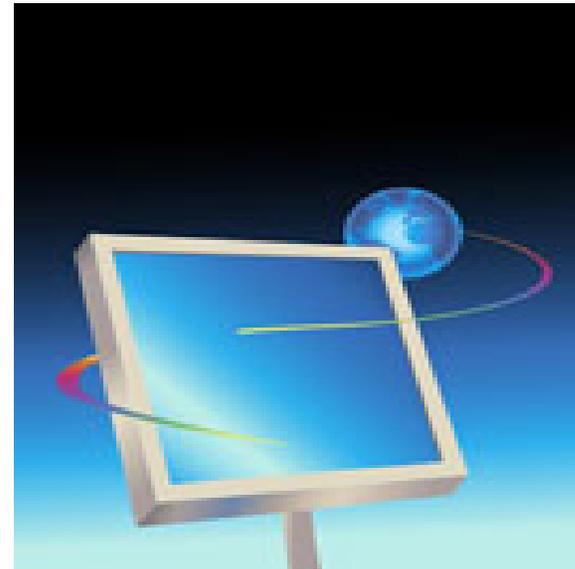
## Tip 5: Participate in Industry Trade Associations

- Join IACC and other industry groups/committees that focus on anti-counterfeiting
- Exchange information
  - Tips on protection
  - Common counterfeiters
- Work for:
  - Stronger anticounterfeiting laws
  - Enforcement of penalties
  - Public awareness



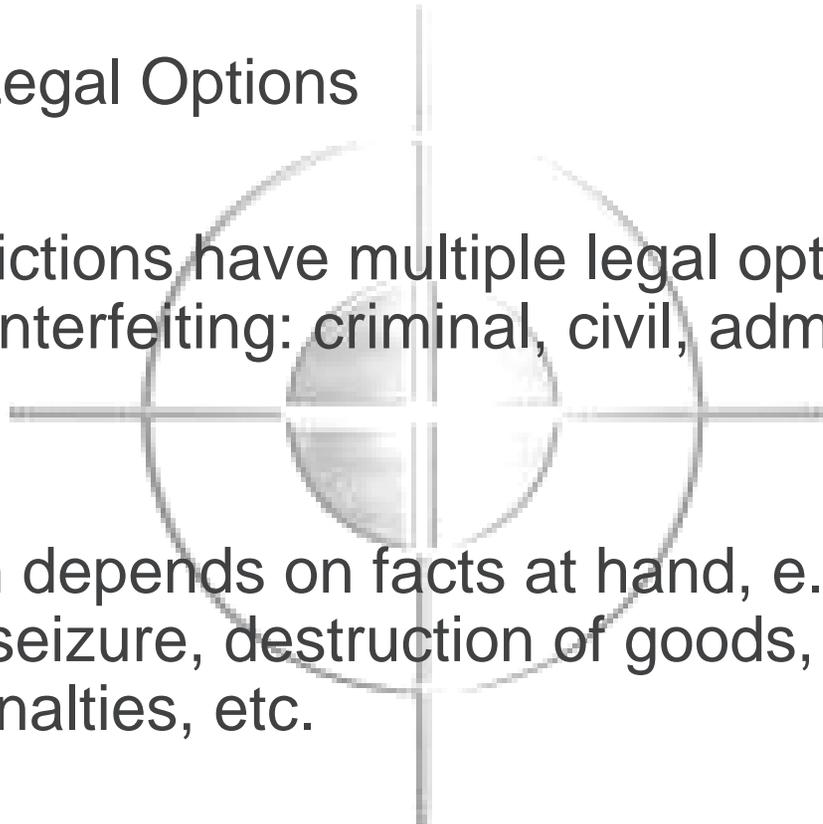
## Tip 6: Self-Police and/or Use Internet Monitoring

- Use identity tracker or reverse WHOIS programs to research serial domain hijackers, distributors and known counterfeiters
- Conduct regular searches on products in your portfolio
- Monitor multiple sites
  - Auction sites (eBay)
    - Participate in VeRO program
  - E-marketplaces (Alibaba, Taobao)
    - File NOCIs
  - Commercial sites (buyviagra.com)
  - Search sites (Google, Yahoo!, Bing)
  - Other facilitators (credit card and shipping companies)
  - Preserve spam e-mail for tracking



## Tip 7: Evaluate All Legal Options and Choose the Right Target

- Evaluate All Legal Options
  - Most jurisdictions have multiple legal options available to stop counterfeiting: criminal, civil, administrative, and Customs
  - Best option depends on facts at hand, e.g., seeking damages, seizure, destruction of goods, injunction, criminal penalties, etc.



## Tip 7: Evaluate All Legal Options and Choose the Right Target (cont.)

- Consider investigation and action against source of counterfeit goods rather than just counterfeit sales outlets such as auction sites (eBay) and B2B sites (Alibaba and Taobao)
- Target major infringers
  - Leverage technology (overt and covert means of detecting counterfeit products)
- Work closely with Customs and law enforcement agencies (at local and international levels)

## Tip 8: Consider Alternative Sources of Liability

- Identify who participates in the transactions
- Other liable parties may include:
  - Shippers
  - Import/export companies
  - Credit card companies
  - Landlords



## Tip 9: Investigate Suspected Counterfeiters Before Taking Any Action

- Always consult local counsel in jurisdiction where counterfeits are originating or being sold
- Important to have all relevant information before acting
- Choose the Right Investigator
  - Outside Buyer
  - Private Investigator
  - In-house employees
  - Law firm
- Have Investigator Guidelines for your investigators so they understand parameters of investigation
- Get samples of counterfeit product
- Have local counsel send cease and desist letter



## Tips 10: Show U.S. & International Customs You Are Serious

- Record marks with Customs agents in the suspected counterfeiting jurisdictions, e.g., both import and export jurisdictions
- Benefit: Seizure of counterfeit or gray market goods by Customs Service
- Keep recordations current and renew them prior to expiration
- Provide manuals and training to Customs' personnel
- Be available and respond quickly to Customs' requests
  - Have designated person(s) ready to respond when Customs contacts you re: counterfeit products





**THANK YOU!**