

Recent Developments in Anti-Counterfeiting Law and Enforcement:

US, China and Germany

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Agenda

- US Trademark Enforcement Programs
 - Jason K. Schmitz
- Anti-Counterfeiting in the PRC
 - Kenny K.S. Wong
- Protecting IP Rights in Europe
 - Daniel Marschollek
- Trends / Developments in International Counterfeiting:
Take it to the Next Level!
 - Daniel Marschollek

US Trademark Enforcement Programs

Jason K. Schmitz, Partner, Chicago

What is Counterfeiting and How Widespread is it?

- Range of illicit activities linked to intellectual property rights infringement
- 7-8% of world trade every year is in counterfeit goods
- US businesses and industries lose about \$200 billion a year in revenue and 750,000 jobs due to the counterfeiting of merchandise
- Accounts for more than half a trillion dollars in global trade each year
- Impacts sales and licensing, brand value and firm reputation and the ability of firms to benefit from the breakthroughs they make in developing new products
- Health and safety risks

Who Are the Targets?

- Take Into Account Profit Margins
- Risks of detection
- The potential penalties
- The size of the markets that could be exploited
- The technological and logistical challenges in producing and distributing products

Who Are the Targets? (cont'd)

Sectors Regularly Impacted

- Apparel, footwear and designer clothing
- Audio-visual, literary and related copyrighted work
- Automotive and aircraft parts
- Chemicals and pesticides
- Consumer electronics
- Electrical components
- Food, drink and agricultural products
- Personal accessories
- Pharmaceuticals
- Tobacco

Tackling the Problem

- Comprehensive, customized global protection strategy tailored to a company's specific enforcement needs
- Working with customs officials, intellectual property rights investigators and police authorities

Tackling the Problem (cont'd)

- Online global counterfeit watch and tracking systems
- Online tracking of information regarding enforcement requirements and procedures for all jurisdictions
- Real-time legal updates tailored to the firm's business
- Interaction with legislators, administration officials and other IP policymakers to advance the firm's IP goals domestically and internationally

Scope of Trademark Enforcement Program

- Quality control and anti-counterfeiting programs
- No one-size-fits-all solution

Proactive Enforcement

- Action taken to identify and prevent trademark misuse / infringement
 - Aggressive trademark prosecution program and portfolio management
 - Trademark use / graphic standards manuals
 - Trademark watch service (different watch programs tailored to a company's specific needs)
 - US Customs registrations

Proactive Enforcement (cont'd)

- Action taken to identify and prevent trademark misuse / infringement
 - Online counterfeit prevention measures
 - INTERPOL Database on International Intellectual Property (DIIP) Crime and INTERPOL's Minimum Global Standard for the Collection of Information on Counterfeiting and Piracy
 - Development and use of detection, verification and technology systems that are proven to work in the detection and deterrence of counterfeiting and piracy
 - Investigation services
 - Education and legislative efforts

Reactive Enforcement

- Action taken once a specific trademark misuse or infringement is identified
 - Cease and desist letters and other communications
 - Litigation
 - Enforcement actions at the Trademark Trial and Appeal Board of the US Trademark Office
 - Federal court litigation

Implications of Passage of PRO-IP Act (Prioritizing Resources and Organization for Intellectual Property Act of 2008)

- Strengthening of civil IP laws
 - Section 503 of the Copyright Act
 - Treble damages remedies
 - The range for statutory damages under Section 35(c) of the Lanham Act for non-willful infringement
 - Expansion of Section 42 of the Lanham Act

Enhancements to Criminal IP Laws

- The PRO-IP Act alters the categories of criminal infringements that put repeat criminal infringers at risk for increased sentencing or fines
- Forfeiture provisions for copyright and trademark infringement have been removed and recast
- The definition of “computer crime” in Section 2 of the Computer Crime Enforcement Act (42 U.S.C. § 3713) is expanded

Enhancements to Criminal IP Laws (cont'd)

- Increased government funding and coordination of IP enforcement
 - The PRO-IP Act creates the position of a cabinet-level IPEC within the executive branch of the government
 - The PRO-IP Act provides grants to state and local law enforcement entities for training, prevention, enforcement, and prosecution of intellectual property theft and infringement crimes

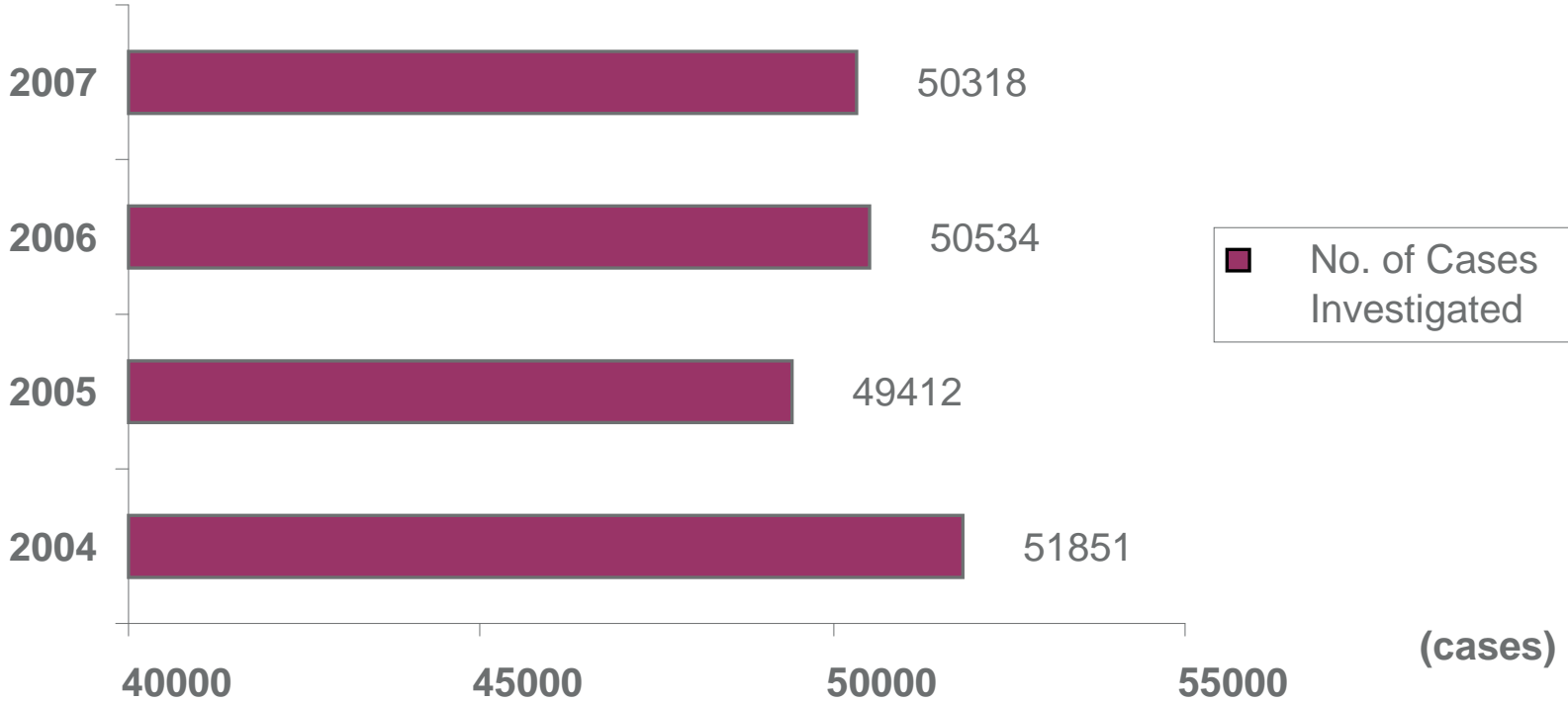
Anti-Counterfeiting in the PRC

Kenny K.S. Wong, Hong Kong

Different Channels of Enforcement

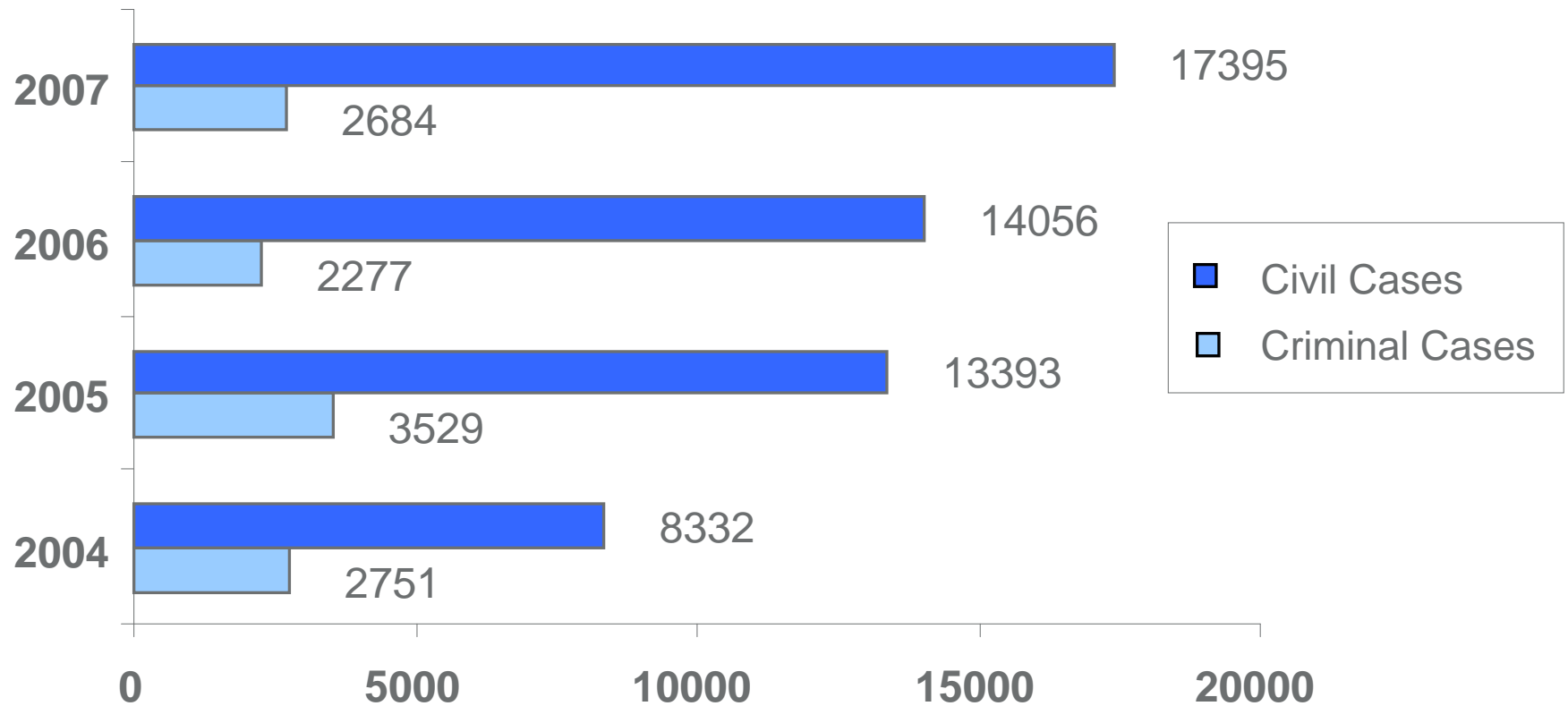
- Administrative
- Court
- Customs

AIC Complaints



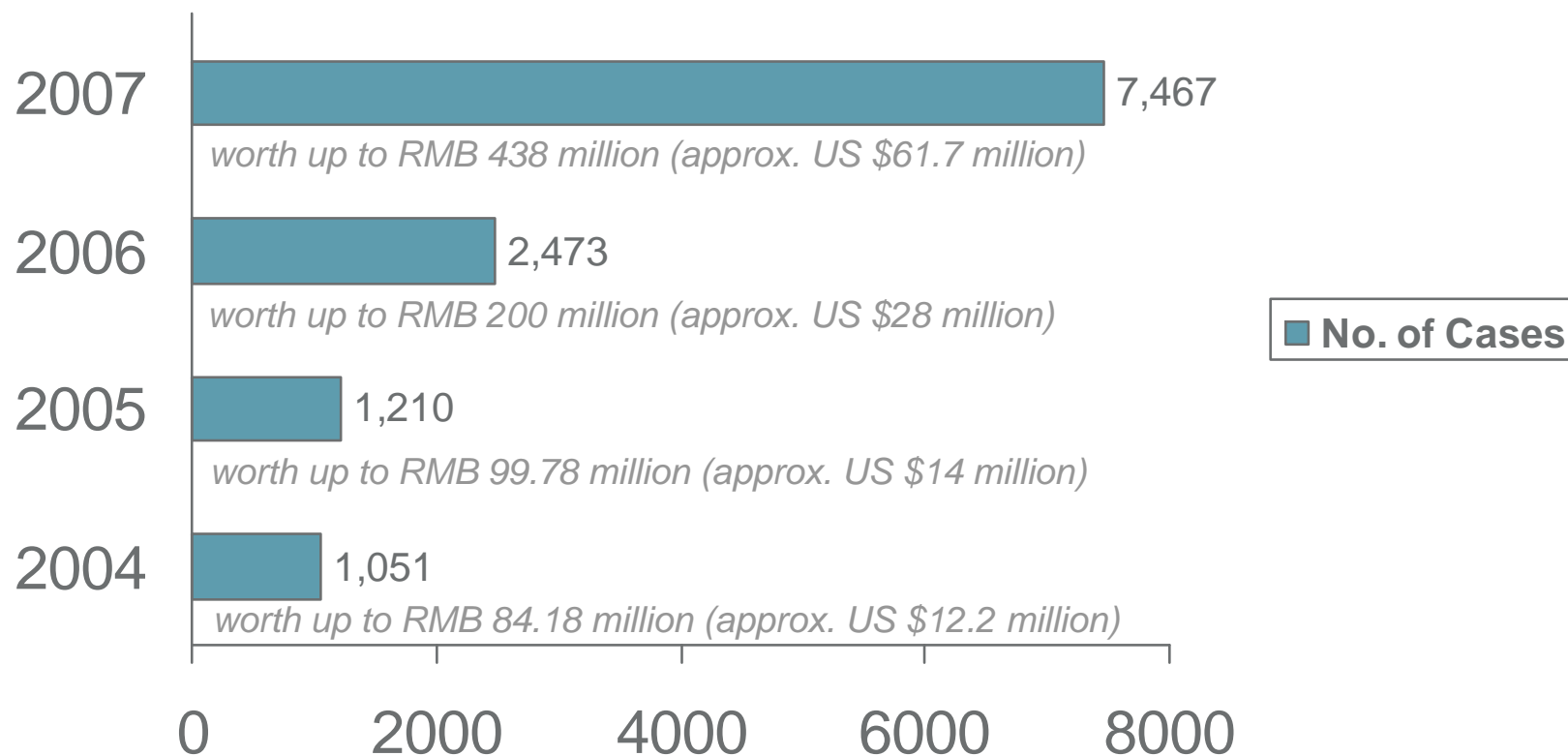
Source: Report on China's Intellectual Property Protection in 2004, 2005, 2006 and 2007 published by the State Intellectual Property Office

First-Instance IP Court Cases Concluded



Source: Report on China's Intellectual Property Protection in 2004, 2005, 2006 and 2007 published by the State Intellectual Property Office

Customs seizures



Source: Report on China's Intellectual Property Protection in 2004, 2005, 2006 and 2007 published by the State Intellectual Property Office

Weakness of the System

Possible reasons

- Criminal enforcement is relatively infrequent, e.g., in 2006 only 252 out of 50,534 (less than 0.5%) trademark infringement complaints at the administrative level were referred to the criminal authorities for prosecution
- No minimum fines specified

Weakness of the System (cont'd)

- No greater fines on repeated offenders
- Lack of manpower of the administrative authorities
- Lack of public awareness
- Protectionism

Practical Tips for Effective IP Enforcement

1. Get all registrations possible

Practical Tips for Effective IP Enforcement

2. Knowing the enforcement authorities

- Power
- Confiscation / destruction of infringing items
- Fine

Practical Tips for Effective IP Enforcement

3. Monitoring the market

- Instruct professional and resourceful local investigators / lawyers
- Conduct regular market surveys
- Provide suitable training for staff members
- Maintain a budget for undertaking the above activities

Practical Tips for Effective IP Enforcement

4. Gathering evidence

- Evidence of suspected infringement (depends on type of action)
- Infringing samples, photographs, advertisements, on-site visits, (notarized) investigation reports
- Evidence of IPRs
 - Certificates, evidence of history and extent of use of IPRs, advertising and sales figures, etc.

Factors to Consider

- Legal merits
- Seriousness of infringement
- Loss suffered
- Strength of evidence
- Publicity
- Time and monetary costs

Specific Issue

- Landlord liability
 - First applied to Beijing Xiushui Haosen Clothing Market Co Ltd – landlord of the notorious Beijing Silk Street Market
 - On December 19, 2005, found guilty by the 2nd Intermediate People's Court of Beijing
 - Appealed to the Higher People's Court of Beijing, decision affirmed

Specific Issue

- Landlord liability (cont'd)
 - Article 50(2) PRC Trademark Law Implementing Regulations
 - "Knowingly provide facilities such as storage, delivery, mailing, concealment etc., to allow infringement"
 - Beijing AIC Notice No. 2 of 2005
 - Prohibits the garment markets and small commodities markets in Beijing from infringing overseas well-known brand names recognised by the AIC
 - Annex to Lease Agreement – Market Administration Rules
 - What measures should a landlord take?

PRC National IP Strategy - issued June 5, 2008

- Aim: to improve China's capacity to create, utilize, protect and administer intellectual property; and to make China an innovative country
- Strategy / goals: to make China a country with a comparatively high level in terms of creation, utilization, protection and administration of IPRs by 2020
- Strategic focuses
 - a) Improve the intellectual property regime
 - b) Promote the creation and utilization of IP
 - c) Strengthen the protection of IPRs
 - d) Prevent abuses of IPRs
 - e) Foster a culture of IPRs

Higher Award of Damages

- June 2007 – *Yamaha Motor Co Ltd v Zhejiang Huatian Industries Co Ltd*
- Trade mark infringement – record damages – RMB8,300,440.43 (~US\$1.1 million)
- Rock Records – copyright infringement – RMB 2,900,000 (~US\$414,3000)
- 3M – patent infringement – RMB 200,000 (~US\$28,580)
- November 2008 – *Diageo (Johnny Walker) v Blueblood (Shanghai) Wine Co Ltd*
- Passing off – damages – RMB 1,250,000 (~US\$182,000)

Protecting IP Rights in Europe

Daniel Marschollek, Frankfurt

The Problem (1/2)

- Importation, transshipment and exportation of as well as trade in **counterfeit products**
- Importation, transshipment and exportation of as well as trade in **illegal parallel products**

The Problem (2/2)

- **Ports of Entry**

- National airports (esp. Frankfurt, Cologne)
- Major harbours (esp. Hamburg, Bremerhaven)

- **Distribution Channels**

- Internet platforms (www.alibaba.com, www.restposten.de – to name a few)
- Wholesalers
- Retailers of different sizes

Legal Framework

- Council Regulation (EC) 1383/2003 concerning customs actions against goods suspected of infringing certain IP rights
- National Laws in Germany
 - German Trademark Act (MarkenG)
 - German Copyright Act (UrhG)
 - German Act on Industrial Designs (GeschmMG),
 - German Patent Act (PatG)
 - German Act on Utility Models (GebrMG)

Council Regulation 1383/03 (1/5)

- Governing customs actions aiming to protect
 - IP rights against
 - The importation, exportation and transshipment
 - Of counterfeit and pirated goods
 - Originating / coming from third countries

Council Regulation 1383/03 (3/5)

- Lodging and processing of customs application
- Application for action shall
 - Be made out on a standardized form
 - Contain information enabling the customs authorities to take actions (Art. 5 V Reg. 1383/03) and
 - Be accompanied by a declaration indemnifying the customs against possible claims from third parties (Art. 6 Reg. 1383/03)

Council Regulation 1383/03 (4/5)

Note:

- A customs application based on Community trademark registrations and Community design rights may request action by the customs authorities of more than one member state in one application (EC Customs Application)!

Council Regulation 1383/03 (5/5)

- Actions following the grant of the application
 - Customs detain suspect shipments and provide IPRO (or representative) with comprehensive information and samples (Art. 9, 13 Reg. 1383/03)
 - IPRO is obliged either to initiate court proceedings (Art. 13 Reg. 1383/03) or to contact the declarant, holder or owner searching agreement to abandon the goods for destruction (Art. 11 Reg. 1383/03)
 - Destruction of goods then carried out by customs

National Laws (1/6)

- Governing customs actions aiming to protect
 - Trademarks, copyrights, design patents, patents, utility model against
 - The importation and exportation
 - Of counterfeit and pirated goods detained within the EC (not at external borders)
 - As well as illegal parallels detained at “internal” and external borders

National Laws (2/6)

- Lodging and processing of customs application
- Application for action
 - Does not require specific form
 - Does not necessarily need to contain comprehensive information enabling the customs authorities to take actions and
 - Needs to be accompanied by a bank guarantee

National Laws (4/6)

Note:

- Under German law, a person guilty of the infringement of IP rights is liable to imprisonment for a term not exceeding 5 years. Often, filing a criminal complaint is a good starting point for fighting IP-crime
- In a criminal complaint we generally suggest that the premises of the culprit shall be searched and his assets be seized thus safeguarding success in a possible action for damages

National Laws (5/6)

- In the criminal proceedings a civil action, e.g., for forbearance and damages, may be brought against the culprit. The so-called adhesive-procedure is a viable option to save costs and time: The culprit can be sued without paying court fees in advance. Criminal and civil procedure can be brought to an end at a single blow.

Trends / Developments in
International Counterfeiting
Take it to the Next Level!

The Setting



Legal Framework

- Whereas it is clearly stated in the applicable regulations what shall be considered inadmissible, e.g., importing and exporting counterfeit goods, . . .

Legal Framework

- . . . the provisions are less clear in identifying who shall be liable / responsible for TM / design infringements

Identifying the Defendants

- “The 4 Cs”

Identifying the Defendants

- “The 4 Cs”
 - Consignors
 - Consignees
 - Customs / delivery agents
 - Carriers (including freight forwarders / postal services)

The German Concept of Liability

- Infringers, accessory aides vs secondary infringers
- Infringers / accessory aides liable for forbearance, information, destruction and damages
- Secondary infringers are liable for forbearance but cannot incur liability for damages
- To qualify as secondary infringer a party has (i) to contribute to the infringement without “mens rea” and (ii) has to be under a certain obligation to control

Hanseatic CoA – YU GI OH Cards

- Cf. YU GI OH cards detained by Hamburg customs
- Intellectual property owner sought temporary restraining order against delivery agent
- After the injunction was served on the delivery agent, he immediately instructed customs to destroy the cf. goods but challenged the order and its obligation to bear the costs of the proceeding

Hanseatic CoA – YU GI OH Cards

- Infringer's liability requires "mens rea" – as a consequence, customs / delivery agents usually do not qualify
- Liability as secondary infringer
- Customs and delivery agents / freight forwarders are not per se obliged to examine shipments – they, however, do qualify as secondary infringers once they are in "bad faith"

Hanseatic CoA – YU GI OH Cards

“In the present case, after the temporary injunction was served on the defendant, the defendant did know with a sufficient level of certainty that the goods in the seized boxes were counterfeit. She, thereupon, immediately (...) applied for the destruction of the goods. There is nothing more the IPR could have requested from her, (...).“ (Hanseatic CoA, 5 U 188/06, MarkenR 2007, 395 (397))

Jason K. Schmitz



Jason K. Schmitz
Partner, Chicago

Experience

Jason Schmitz practices intellectual property law. He has experience in all areas of US and foreign trademark prosecution and is responsible for US and foreign trademark portfolios of numerous clients, including major US banking institutions and food industry corporations.

Mr. Schmitz's anti-piracy experience includes handling international counterfeiting issues.

Kenny K.S. Wong



Kenny K. S. Wong
Partner, Hong Kong

Recommended since 1997 by local and foreign publications as one of Hong Kong's leading IP practitioners.

Experience

Kenny Wong is head of the IP/IT Practice group of Mayer Brown JSM.

His practice covers the full range of contentious and commercial IP and IT work. A significant part of Mr. Wong's practice involves PRC matters and he is amongst the first to handle IP enforcement work in China. He also advises on entertainment law acting for copyright collecting societies, production companies, celebrities and artists.

Daniel Marschollek



Daniel R. Marschollek
Partner, Frankfurt

Experience

Daniel Marschollek has a diverse intellectual property practice that focuses on trademark prosecution and trademark / industrial design infringement litigation, with special emphasis on clients in the sports, fashion and telecommunications industries.

JUVE Handbook 2005/2006
*„ (...) recommended by clients for
his anti-piracy expertise and
practice“*

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