

Anti-Counterfeiting Enforcement: Maximum Protection for Minimum Cost

Michael J. Allan, Steptoe & Johnson LLP
Fabio R. Silva, Burberry Limited



STEPTOE & JOHNSON LLP

steptoe.com

February 18, 2009

Our Moderator: Will Pecau



- Steptoe Partner and a member of the Intellectual Property group
- Litigating anti-counterfeiting cases for over 25 years as well as other kinds of trademark, false advertising, copyright, and patent cases on behalf of plaintiffs and defendants
- Received his J.D. from Vanderbilt University Law School and his B.A. from University of the South

Our Presenters: Michael Allan



- Steptoe Special Counsel and a member of the Intellectual Property and Litigation groups
- Concentrates his practice on complex commercial litigation, with a particular emphasis on issues involving intellectual property
- Counsels clients on all aspects of anti-counterfeiting enforcement
- Received his J.D. from Syracuse University College of Law and his B.A. from Hamilton College

Our Presenters: Fabio Silva



- Corporate & Intellectual Property Counsel for Burberry Limited, the Americas
- A frequent speaker at the USPTO's Global Academy and programs of the International Trademark Association, primarily on effective intellectual property enforcement in North America
- Received his J.D. from Stanford Law School and an A.A.S. Degree in Fashion Design from Parsons School of Design

Introduction: The Counterfeiting Problem

- IP theft costs US businesses \$250 billion annually
- 750,000 lost US jobs ... and counting
- Often funded by organized crime syndicates
- Revenue from the sale of counterfeit merchandise used to fund terrorist organizations

Which Industries Are At Risk?

- Pharmaceuticals
- Aerospace Products
- Automotive Products
- Consumer Electronics
- Footwear
- Apparel
- Luxury Goods
- Watches
- Computers/Hardware
- Software
- Media/Entertainment
- Food

Anticounterfeiting Enforcement – What To Think About?

- Assess your in-house resources
 - Attorneys, paralegals, interns, databases, time . . .
 - Establish a philosophy, a protocol and templates
 - Know when your resources are better spent elsewhere

- Assess your external resources
 - External counsel
 - Private investigators
 - Trade industries (e.g. IACC, INTA)

Anticounterfeiting Enforcement – What To Think About?

- Put your in-house resources to work
 - Record your IP with CBP
 - Create product training materials
 - Identify reliable private investigators
 - Train your investigators and have them train CBP
 - Network with your industry counterparts
 - Draft template demand letters
 - Draft template settlement agreements
 - Draft template notices of infringements (web hosts)
 - Draft template follow-up letters
 - Create a self-sufficient IP enforcement center

Anticounterfeiting Enforcement – What To Think About?

- **Practice proper evidence handling**
 - ❑ Segregate physical space for evidence
 - ❑ Create chain-of-custody forms
 - ❑ Use numeric evidence tags
 - ❑ Photograph your evidence
 - ❑ Archive electronic evidence (e.g. screen captures, emails)
 - ❑ Have your investigators initial and date evidence before dispatching it
 - ❑ Require everyone to log activity on chain-of-custody forms
 - ❑ Keep chain-of-custody forms with their evidence

Policing Retail Websites – Notice of Infringement to Web Host

- **Conduct thorough investigation of website**
 - Checkdomain.com
 - RipOffReport.com
 - Google (names, phone numbers, etc.)
- **Identify any third parties**
 - Payment Service Provider (e.g. Volusion, Paypal)
 - Web hosting company (Dnsstuff.com)
- **Set your strategy**
 - Criminal vs. Civil?
 - Test Purchase before a demand letter?
 - Private investigator?
 - Litigation?

Policing Retail Websites – Notice of Infringement to Web Host

The screenshot displays the DNSstuff.com website interface. At the top left is the logo for DNSstuff.com with the tagline "YOUR DESTINATION FOR DNS AND NETWORKING TOOLS". To the right, there is contact information: "Chat by phone 866.751.4124 or +1.978.225.8430 (INTL)" and a "Contact Sales" link. A navigation bar includes links for Home, Products, Partners, DNSreport, Resource Center, Forum, Tools, and My Account. The user is logged in as "burberry" with a "Logout" link. Below the navigation bar, the user's IP address is shown as "38.117.230.194" and their location as "Near: New York, New York United States".

The main content area features a "Tools" section with a grid of tool icons. A prominent "DNSreport" tool is highlighted, with a description: "See if there are problems with your DNS hosting". Below this is a search input field and a "DNSreport" button. A "TEST DRIVE" badge is also visible, encouraging users to try new tools in the Dev Lab.

Quick Links: [DNSreport](#) [Advanced Tools](#) [Additional Free Tools](#) [IPv6 Tools](#) [Merchant Tools](#) [Dev Lab](#)

Standard Tools

- DNS Timing**: Check speed of your DNS hosting. Includes a search field, a dropdown menu set to "A", and a "Lookup" button.
- Spam Database Lookup**: See if a mail server is in any spam database. Includes a search field and a "Lookup" button.
- Traceroute - Advanced**: Traces the route packets take to this host. Includes a search field, a dropdown menu set to "1000", and a "Tracert" button.
- WHOIS/IPWHOIS Lookup - Advanced**: Includes a search field and a "WHOIS" button.
- Reverse DNS lookup - Advanced**: Includes a search field and a "Rev DNS" button.
- DNS Lookup - Advanced**: Look up a DNS record (A, MX, NS, SOA, etc.). Includes a search field, a dropdown menu set to "A", and a "Lookup" button.

Policing Retail Websites – Notice of Infringement to Web Host

- **When does an NOI to a web host or a third-party suffice?**
 - ❑ Drop-shipper
 - ❑ False address (via Checkdomain.com)
 - ❑ Proxy Service
 - ❑ Not worth resources to investigate further
 - ❑ Dnsstuff.com has identified “legitimate” web host
 - ❑ Checkout has identified a “legitimate” payment service provider

Policing Retail Websites – Notice of Infringement to Web Host

- **Prepare a Notice of Infringement**
 - Identify your company, your IP, and yourself as a brand agent
 - Make good faith claim that the site in question offers counterfeits of your client's trademarks
 - Provide html links to every single page on the site that contains counterfeit content
 - Make reference to relevant provisions of their AUP
 - Send the notice of infringement via email
 - If possible, follow up with a phone call!

Retail Websites – Re-occurring Problems

- **Web Hosts / Payment Service Providers**
 - Some are unresponsive and need to receive multiple notices
- **Repeat violators**
 - Infringers restart the entire process by setting up a new domain and new website, often with another web host
- **Foreign Web Hosts**
 - Do not usually have AUP or otherwise designate an agent for receipt of claims of infringement

eBay.com – Vero Program Enforcement

- **Establish presence on eBay**
 - Register with Verified Rights Owner program
 - Create an About-Me page
- **Conduct regular enforcement**
 - Counterfeit Merchandise
 - Unauthorized Importation
 - Content infringement
- **Use eBay to unearth suppliers**
 - Submit personal-information requests
 - Require eBay sellers to disclose suppliers

eBay.com Enforcement

- **Develop a game plan**
 - Create an “About Me” page with answers to FAQs
 - Select search terms (e.g. trademarks and other identifiers)
 - Set criteria for determining authenticity
 - Set a schedule for regular and frequent monitoring
 - Short auctions on weekends are popular
 - Create alternate email address for receiving complaints/questions
 - Maintain statistics

Anticounterfeiting Enforcement – What To Think About?

- Refer matters to external counsel
 - Your budget
 - Your expertise
 - Your evidence
 - Your chances of collecting \$\$
 - Your ability to secure positive PR
 - Your ability to send a strong message
 - Your outstanding threats
 - Your sanity

Choosing an Enforcement Strategy: Things to Consider

- What do we know about the counterfeiters?
 - Size and scope of operation
 - Assets
 - Asset Investigations
 - D&B and corporate research
- Who else is affected?
 - Can the government assist?
 - Can I partner with other brands to save costs?
- Company goals
 - Stop importation?
 - Shut down supplier?
 - Damages?
- What is my budget?
- What is my proof?

Federal Court Litigation

■ Pros

- ❑ Injunction
- ❑ Statutory damages
- ❑ Deterrent effect of Order
- ❑ Favorable findings re marks and brand

■ Cons

- ❑ Discovery costs
- ❑ Spoliation
- ❑ Court delays
- ❑ Unpredictable juries

Will there be any money left?

Prejudgment Freezing of Assets

- Mechanisms for freezing assets
 - Temporary Restraining Order/Preliminary Injunction
 - Fed.R.Civ.P. 65
 - Court's equitable Power
 - Attachment under State Law
 - Fed.R.Civ.P. 64

Pre-judgment Asset Freezes

■ Preliminary Requirements

- ❑ An asserted cognizable equitable claim
- ❑ A nexus between the claim and the specific assets of defendant that are sought to be frozen
- ❑ The interim relief must be a reasonable measure to preserve the status quo in aid of the ultimate equitable relief claimed

■ TRO Factors

- ❑ Whether there is substantial likelihood of success on the merits
- ❑ Whether movant would suffer irreparable injury without injunction
- ❑ The balance of harms
- ❑ The public interest

Other Enforcement Options

The January 2008 issue of *Harper's Bazaar*:

There is another method that is catching on

re
lo
fo
a
a



items – believing, incorrectly, that the pending application proves the importer must have a legitimate right to the trademark.”

Lanham Act: Statutory Damages

- The Pro-IP Act (October 13, 2008)
 - The Pro-IP Act doubles the minimum and maximum statutory damage awards for non-willful and willful counterfeiting
 - \$500 changed to \$1000
 - \$100,000 changed to \$200,000
 - \$1,000,000 changed to \$2,000,000

Lanham Act: Statutory Damages (The Factors)

- Defendants' willfulness
- Defendants' efforts to mislead and conceal their infringement
- Defendants' defiance at attempts to deter counterfeiting
- Harm to mark owner
- Value of the marks
- Defendants' non-cooperation
- The profits reaped by Defendants
- Sales lost to the mark owner

Recent Damage Awards

■ Examples of reported damages awards in 2008

- \$1 million maximum statutory damages for 1 mark and 1 type of good – *Koninklijke Philips Electronics N.V. v. KXD Technology, Inc.*, 2008 US Dist LEXIS 50839 (D. Nev. July 1, 2008).
- \$2.5 million (\$500,000 x 5 marks, 1 type of good) – *Lorillard Tobacco Co v. Montrose Wholesale Candies and Sundries, Inc.*, 2008 US Dist LEXIS 31761 (N.D. Ill. Apr. 17, 2008).
- \$1 million (\$200,000 per 5 marks) – *Ermenegildo Zenga Corp. v. 56th Street Menswear, Inc.*, 2008 US Dist LEXIS 77013 (SDNY Oct. 3, 2008).
- \$500,000 recommendation for 1 trademark – *Ontel Products Corp. v. Amico Int'l Cor.*, 2008 US Dist LEXIS 67980 (SDNY Sept. 9, 2008).

Thank You For Joining Us!

- Today's speakers:
 - Fabio R. Silva, Esq.
Corporate & Intellectual Property Counsel
Burberry Limited

 - Michael J. Allan, Esq.
Special Counsel
Steptoe & Johnson LLP

- For More Information:
 - Michael J. Allan, Esq.
Steptoe & Johnson LLP
mallan@steptoe.com, 202.429.6749

Next Steptoe IP Webcast: April 30

Patently Offguard: Taking Potential Bankruptcy Ramifications Into Account In Intellectual Property Matters

During this webcast, Steptoe attorneys will:

- ❑ Address the bankruptcy scenario and issues affecting intellectual property rights;
- ❑ Discuss remedies in the event of a bankruptcy; and
- ❑ Provide suggestions on how to better protect one's rights under a license agreement in the event of a future bankruptcy of the counter-party.

Please go to <http://www.steptoe.com/news-events-1036.html> for details.

Anti-Counterfeiting Enforcement: Maximum Protection for Minimum Cost

Michael J. Allan, Steptoe & Johnson LLP
Fabio R. Silva, Burberry Limited



STEPTOE & JOHNSON LLP

steptoe.com

February 18, 2009