



3-21-2013

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Cardozo Arts & Entertainment Law Journal

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Recommended Citation

Bonilla, David, "Combating Counterfeits" (2013). *AEJ Blog*. 19.

<https://larc.cardozo.yu.edu/aelj-blog/19>

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Combating Counterfeits

Posted on March 21, 2013

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Counterfeiters continue to find creative and inventive ways to knock off goods and place those knockoffs in the marketplace. One need only take a brisk walk-through Times Square in order to come across tables laden with counterfeited fare, from not-so-red-bottomed Louboutin shoes to DVDs of movies not yet in theaters. The increasing prevalence of counterfeit goods in the marketplace has caused law firms and in-house legal departments to attempt numerous methods, beyond traditional civil litigation, to thwart counterfeiters. Cardozo's [Intellectual Property Law Society](#) brought a panel together on November 15 to discuss the practices currently employed by law firms and in-house legal departments in their seemingly endless struggle to combat counterfeiters. Danielle Gorman, Co-Acquisitions Editor of the Cardozo Arts & Entertainment Law Journal ("AELJ"), and Francesca Montalvo, an AELJ staffer, moderated the panel discussion.

The direct result of counterfeiting is displacement of sales. However, it is unlikely that consumers of luxury goods will purchase suspiciously cheap alternatives, restricting this damage to manufacturers of lower-priced items. Secondary dilution, on the other hand, affects manufacturers of luxury goods and is typically unquantifiable. "If someone purchases a fake Coach handbag . . . and it looks awful, and they give it away or just carry it around, a potential consumer will see the handbag and say 'wow, Coach has really gone downhill,' and this tarnishes our reputation," said panelist [Ethan Yat Fai Lau](#), in-house counsel for Coach, Inc. Other effects of counterfeiting include "funneling money into terrorist organizations, as well as child labor issues and tax issues—counterfeiters don't pay taxes," added Mr. Lau.

Thus, "one of the main things that [companies] spend their time doing is finding counterfeits," said panelist [Giselle C.W. Huron](#), an associate in Fross Zelnick Lehrman & Zissu, P.C.'s litigation practice group. This can be accomplished in a number of ways including searching online marketplaces such as Ebay.com, using brand agents who go out into the field to collect evidence and make undercover purchases, coordinating with [U.S. Customs and Border Protection](#), and reviewing consumer complaints.

Once the counterfeit goods have been located, companies often send the counterfeiter a cease and desist letter, although Ms. Huron advises against this because "once counterfeiters know that you're onto them, they disappear." It is advisable first to rely on private measures to stamp-out the counterfeiters, which are often available when the counterfeit goods are being sold on the Internet. Some online marketplaces have programs in place to guard against counterfeits, including [E-Bay's Verified Owner's Rights Program \("VeRO"\)](#). These

programs allow users to deposit their trademark information with the online marketplace, which will in turn identify counterfeited items for sale in the marketplace and remove them from the site. Such programs are especially beneficial to companies working with small budgets. Also, open communication with the online marketplaces that are selling counterfeit goods is crucial. As indicated by panelist [Dennis S. Prah](#), a Partner at Ladas & Parry LLP, these online marketplaces, perhaps out of fear of being held liable for the counterfeiter's infringement, are often more than willing to remove counterfeited goods from their websites.

As these private measures are only available in certain circumstances, brand owners may also seek to rely on administrative enforcement. For example, as intellectual property rights are, for the most part, territorial, companies can attempt to have foreign Customs agencies seize counterfeit goods. "In a lot of countries, Customs has authority to seize goods at the border," said Mr. Prah. Customs can also suspend the import, export, and transit of presumed counterfeit goods. "This is a lot less expensive and maybe a little more effective than taking counterfeiters to court," added Mr. Prah. Further, as a large percentage of counterfeit goods come from China, companies can supply their trademark information to [China's Administration of Industry and Commerce \("AIC"\)](#), which will raid counterfeiting rings and seize counterfeit goods. Moreover, "many major players have started to bring cases before the International Trade Commission because you have a rocket docket and foreign discovery abilities," said Mr. Prah. "It's sort of the nuclear missile of what you want to do to counterfeiting rings," he added.

Finally, companies can also rely on courts for enforcement. However, numerous factors must be considered before heading into the murky waters of civil litigation. "The level of involvement is an important factor. Typically, you are not as involved in an administrative proceeding as you are in a judicial proceeding," said Mr. Prah. Also, companies should consider whether preliminary relief is available. "In some countries you can wait for years for a decision to come out, and preliminary relief might not be available," Mr. Prah said. Further, the cost of litigation must be weighed against the possible damages award. "Civil litigation is, generally speaking, the most expensive of all the available avenues for combating counterfeits," said Mr. Prah. Companies must also consider whether an award of damages can actually be enforced against the defendant. In order to avoid being awarded an unenforceable judgment, Mr. Lau said that companies should go after landlords, flea market owners, or other distributors that sell counterfeit goods, as they usually have deeper pockets. Companies may also pursue criminal claims. "A notable amount of counterfeiting is connected with organized crime, drug trafficking and terrorist networks, so when you have found a counterfeiter you can get the authorities on your side to help you squash it," said Mr. Prah.

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