

Strategies for anti- counterfeiting

A practical guide

The background of the page is a dark blue aerial photograph of a city, likely Tokyo, with a network of white lines and dots overlaid. Two prominent icons are visible: a car icon in the upper left and a Wi-Fi signal icon in the lower right. Both icons are surrounded by concentric circles, suggesting connectivity or a network. The overall aesthetic is modern and technological.

About Novagraaf

For more than 130 years, Novagraaf has been helping iconic brands and innovative organisations around the world drive competitive advantage. One of Europe's leading IP consulting groups, Novagraaf specialises in the protection and global management of IP rights, including trademarks, patents, designs, domain names and copyright. Headquartered in the Netherlands, Novagraaf has 17 offices worldwide and a powerful network of more than 330 specialists. A NovumIP company, Novagraaf is unique in our ability to provide tailored legal expertise, efficiency-gaining administrative services and proactive commercial insights across the full life cycle of clients' IP rights.

Find out more at www.novagraaf.com

A robust anti-counterfeiting strategy is crucial for all brands as the trade in fakes continues to grow

Most brand owners will know of the threat to their business of counterfeiting and piracy. The challenge comes in quantifying that threat in order to act against it, both proportionately and effectively. If you don't know the extent to which your brands and products are being targeted, or where those knock-offs are being produced, transported or sold, how can you target action, measure its effectiveness and justify the budget?

With what can seem like such a mammoth task ahead of them, it's little wonder that many brand owners choose to put off for tomorrow what they could or should be doing today. This white paper sets out advice on measuring and tackling the threat of piracy, and offers practical tips on developing and implementing an anti-counterfeiting that suits your business and budget.

Whether you're just beginning to address the threat of fakes to your business or already have an anti-counterfeiting strategy in place, the following steps should provide a useful structure to measure the impact of counterfeiting on your business, act against it proportionally – and justify the budget that requires to internal stakeholders.

STEP 1: Preparing the business case

Budgeting for anti-counterfeiting activity can be a challenge for IP heads because it can be hard to find up-to-date and consistent data to estimate the threat. What is clear, however, is that the threat is growing. A 2017 study by the EU's European Economic and Social Committee estimated that the global trade in counterfeit and pirated goods represented 5-7% of world trade, roughly € 600 billion a year. The study looked only at counterfeits traded across borders, and the figure is likely to be considerably higher when you take into account instances of domestic piracy, not to mention damage to brand reputation – a value that can be particularly difficult to quantify.

Knock-offs used to be immediately recognisable to prospective buyers due to the poor quality of the product – a typo in the brand name here, a design flaw there – its low price or the trading location (e.g., a dodgy market stall). But counterfeiting has become so much more sophisticated in recent years and, these days, many consumers are being tricked into buying products at close to recommended retail price believing them to be the real deal.

If you've ever received a complaint from a consumer about one of your products and then had to break it to them that they'd actually been sold a fake, then you'll already know the damage that this can cause – particularly if that fake had entered your legitimate supply chain prior to sale.

STEP 2: Measuring the threat

Nonetheless, it's crucial to start identifying the threat to your business, your consumers and your bottom line before beginning any action. There are a number of services that can help in this respect, for example, web-scanning software that will identify unauthorised use of your brand names, trademarks and designs online. Even by tracking the web for a short time, you'll be able to get an idea how many of your products are being sold online.

Where are the counterfeit products being sold (on- and offline)? Who is manufacturing them – and where? How are they being transported and through which ports? What are the types and volume of products affected, estimated damage to your business and desired benchmarks for reducing the impact? The good news is that many brand owners have asked these questions before you, and there are definite patterns in their findings that will help you to tailor your efforts.

Many consumers are being tricked into buying [counterfeit] products at close to recommended retail price

STEP 3: Targeting and costing action

You can't find or stop every instance of counterfeiting; it would swallow up all your time, budget and resources. Instead, concentrate on identifying and mapping the biggest threats and the most common channels, for example, manufacturing sites (typically, China, Hong Kong, India, Turkey, the UAE, or home soil) and their distribution routes (generally, major transit hubs and international trade ports).

Recording your trademark rights with customs in your home country and relevant overseas countries will help officials spot and detain shipments that infringe those rights. For the best results, be as proactive as possible in your efforts to educate those officials about your priority products, telltale signs for spotting counterfeits and details of who to contact if they have concerns.

To tackle the manufacturers themselves, you'll have to find the factories before you can coordinate enforcement action. This can be harder in some countries than others, but a good start would be to look at those factories where you are manufacturing your products officially, as often these can be the source of fakes too. Ensure your agreements make it clear that unofficial copies will not be tolerated, and conduct regular spot-checks to check for breaches.

If the counterfeits are being produced overseas, you'll need to liaise with local agents in order to investigate the source, and involve local police and authorities. It's generally easier and more cost-effective to work with a specialist IP firm to coordinate such action; especially as you progress towards a factory raid or legal action. We know from our time representing clients in factory shutdowns in China, that it's important to have the right people on the ground to make sure that any planned action isn't leaked in advance to the counterfeit organisation, or that the necessary paperwork doesn't sit for too long on the desk of the relevant local authority.

STEP 4: Measuring return on investment

There is, of course, a cost involved with legal actions and raids. Similarly, different countries have different procedures and requirements when it comes to seizing counterfeit products, so it's important to check in advance which costs or actions are required. Try to avoid kneejerk reactions when instances of counterfeit activity are identified; you'll have spent time researching, mapping and prioritising your strategy for action, so it's important to remain proactive and targeted in your approach.

You have to be realistic about the likely results, too. You may succeed in a factory shutdown or seize a massive batch of fakes, but that won't be the end of the story. It takes prolonged action (and consumer education) to make a real dent against this type of organised crime. Shut down a factory in one city and it will likely pop up somewhere else; seize products at one customs port and the counterfeiter will try to find another route. But, continue to act against the source and you will find, eventually, that the counterfeiter will decide that it's just easier to move on to something else.

Other techniques can be brought into play. Routinely modify the design or packaging of your products, for example, and the counterfeiter will find it hard to keep up. (This also makes fakes easier for customs authorities and consumers to spot.) New technologies can also help, such as stamps featuring holograms that are costly to replicate.

STEP 5: Getting the right support

Finally, it's important to work with a partner that understands the challenges that brand owners face in their battle to hunt down and act against counterfeit products. Make sure any provider you choose brings a clear and proven strategy, and expertise on the rules and requirements in key jurisdictions, the current threats and common channels for trafficking, and the costs and process involved at each stage of enforcement. The right IP provider will know, from experience, where you should start and end your anticounterfeiting efforts, so use that knowledge to guide and assist you when taking your first – or next – step towards building an effective and measurable strategy for action.

To find out more about Novagraaf's Brand Protection & Anti-counterfeiting and Customs Monitoring & Management services, please contact customerservice@novagraaf.com.

Anti-counterfeiting FAQs

Counterfeit activity is a threat to all modern businesses, affecting their profits, their reputation and, in some cases, the safety of their consumers. But, so persistent is the threat – particularly online – that it can be difficult for companies to know where to start. We set out the answers to some frequently asked questions.

What is anti-counterfeiting – is it a criminal offence?

Counterfeiting describes the process of manufacturing and offering for sale a product (or a range of products) using the brand of a third party without their authorisation. Many counterfeit products are passed off as genuine branded products whereas others are sold to consumers openly as replicas. While some counterfeit products are of inferior quality, many counterfeit products are more or less accurate replicas of the rightful brand owner's products. As they are sold using a brand that is identical to or substantially indistinguishable from the brand owner's trademark, consumers may be led to purchase the fake product believing it to be a legitimate item.

Counterfeiting is illegal. In most countries, counterfeiting is punishable by criminal law as well as civil law, with penalties ranging from injunctions and seizures to block the trade in counterfeit products to damages and even imprisonment.

Do I need an anti-counterfeiting strategy?

Counterfeiting affects companies in a wide variety of industries, from fashion to pharmaceuticals. If you have a product or a brand that is popular and in demand, then it's likely that you are or will become a target for counterfeiters. The threat posed by counterfeiting activity can be hard to quantify, but it should not be underestimated. Typically, a company's sales and revenue will not only be impacted, but it will also suffer damage to brand reputation (e.g. where a customer mistakenly believes that they have purchased an authentic product and are disappointed with its quality), as well as loss of licensing revenue.

Counterfeit products also pose considerable health and safety risks to consumers, as there is a high likelihood that they will be substandard, dangerous or faulty. For such reasons, it is advisable for companies to develop an effective anti-counterfeiting strategy if they are to deal with the growing and persistent trade in fake goods.

What kind of products are at risk of counterfeiting?

Counterfeiting affects a broad a variety of goods; from t-shirts to handbags, machinery and automotive parts, toys, batteries, pharmaceuticals, perfumes and electrical goods.

Where are counterfeit goods made?

According to analysis by the World Customs Organisation, the majority of counterfeit products (approx 75%) are manufactured in the Far East region, mainly China. Other high-risk countries include Hong-Kong, India, Turkey and the United Arab Emirates. From these countries, goods are shipped into the relevant country and sold to end users in retail stores, open markets and through online shops and marketplaces; although, the exact route and origin can vary greatly depending on your business sector. In fast-moving retail sectors, for example, counterfeiting may also take place in your home country and, therefore, will not be caught by customs officials.

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What can I do to protect my brand?

Brand owners can call upon a variety of tools to act against counterfeit activity once it has been identified, but tools and techniques to prevent and identify activity are of particular importance. This includes, for example:

- Registering key brand and product names as trademarks, and innovative design features as design rights, so that you can seek legal redress for any unauthorised use of those trademark or design rights;
- Raising awareness of the issues within your business by educating your staff, business partners and customers;
- Actively monitoring the online and offline market, recording, reporting and carefully analysing the findings;
- Working closely with law enforcement authorities such as the Border Force (customs) and local Trading Standards offices that have a statutory duty to enforce the criminal provisions of trademark acts; and
- Taking enforcement action where appropriate.

An important element in fighting counterfeit activity is internal education. Your staff, distributors and retailers are your eyes and ears in the market, so it's important that they know what to do when they spot potential counterfeit or unauthorised sales. Consider running general seminars on IP crime to make your employees aware of the importance of IP assets and the threat posed by the trade in fakes, as well as specific training for those employees that are on the ground to help them recognise and report counterfeit products.

Someone is trafficking counterfeit copies of my products, what can I do?

Recording your trademark rights with customs will enable officials to spot and detain shipments containing related counterfeit goods. There is a cost involved, so focus on customs in your key markets, as well as in countries that are well-known for manufacturing counterfeit goods or have major transit hubs and international trade ports, such as Dubai and Hong Kong. In addition, it's important to educate customs officials on an ongoing basis about your priority products, tell-tale signs for spotting counterfeits and details of who to contact if they have concerns. This can be done by providing a product guide, as well as regular face-to-face training.

Local customs departments do have different procedures and requirements when it comes to seizing counterfeit products, so make sure you know in advance if there are any additional costs or actions required. For example, some may require you to bring a civil action or support a criminal prosecution following the detention of counterfeit goods, while others may require you to provide a bond or surety in case the detained goods are not counterfeit, or to pay a fee for the translation of documents or for the storage or destruction of any goods detained.

How do I record my trademarks?

Working with customs authorities is essential for the success of your anti-counterfeiting efforts. It's important to record your trademark with customs departments if you are to identify and act against infringing products; however, we would also recommend providing customs with supporting information/ examples of your genuine branded goods, their packaging and usual shipping routes when filing the trademark recordal/ application for action. This will help customs to detect anything unusual at border control and to identify and alert you to suspicious consignments. A trademark recordal generally lasts one year and is renewable.

Even if you don't have an application for action in place, customs may still detain suspected goods; however, in such cases, you will need to complete, sign and file an application for action within three days of any customs notification in order to action any infringement claims. Once that is accepted, you will have a further 10 working days to inspect the provided sample(s) of the detained goods in order to confirm whether or not they are genuine items. Time really is of the essence here, as within this 10-day timeframe, you will also need to begin your infringement action if you establish that the goods are counterfeit.

At that point, you will have three options, namely:

- 1 To commence court proceedings to establish that your rights have been infringed and to seek legal redress;
- 2 To request the destruction of the goods from their owner/ importer/exporter; and
- 3 To decide not to pursue any action, in which case the detained goods will be released.

However, even if the quantities involved are small, we don't recommend choosing selecting option 3 (overlooking the infringement and allowing the items to be released).

In particular, this is because:

- Contacting the owner/importer or exporter provides an important opportunity to gather intelligence;
- Taking action will indicate to customs that you are serious about fighting counterfeits, which may encourage them to focus on your brand in the future; and
- You will ensure that the seized goods are permanently removed from the market.

Someone is selling counterfeit copies of my products online, what should I do?

Depending on the circumstances, it may be possible to remove the offer/website from the internet or it may be appropriate to investigate the seller further to find out more information about the product's suppliers, distribution channel and/or origin in order to stamp them out at source.

Find out more about online brand protection strategies at www.novagraaf.com/brand-protection.

Someone is manufacturing fake copies of my products, what should I do?

If in your home country, you should first investigate and collect all available information, then contact your relevant Trading Standards body in order to coordinate enforcement action with them. If the manufacture is taking place overseas, you will instead need to liaise with local agents or investigators and involve local police and authorities. In both cases, you might find it simpler or more cost-effective to work with a specialist such as Novagraaf to help you coordinate and manage enforcement actions.

How should I measure success?

As with any business strategy, the basic criteria against which to measure success should be set up before you begin to target and implement your anti-counterfeiting activity. This will enable you to objectively assess the results of any actions taken against counterfeiters. It is essential to keep results under regular review and to revise tactics and strategy on an ongoing basis. In particular, you should look to assess and reassess the commercial damage caused by counterfeiting and to ensure that actions taken are appropriate and proportional.

Above all, creating and maintaining records of known traders involved in counterfeiting, alongside anti-counterfeiting actions taken against them and the results of those actions, will help you to assess your existing strategy – for example, to identify where it is most or least effective – and to make improvements to it.

Measurable indicators will commonly include:

- The number of counterfeit product seized and destroyed;
- The number of successful litigations and damages awarded;
- The number of auctions/ websites taken down.

Where budget is a potential hurdle, you should take into consideration not only the achieved reduction of the quantity of counterfeits available to consumers and the number of prosecution cases concluded, but also any progress made in educating the public on how to identify genuine products and the relevant intelligence on anti-counterfeiting you have collected that may be used to direct your future strategy.

How does Novagraaf assist brand owners?

We will typically assist by creating and implementing strategies to combat counterfeiting issues, advising on appropriate preventive measures and taking enforcement actions including:

- Investigation, trap purchases;
- Risk assessments (landscape reports);
- Online brand monitoring and enforcement;
- Removing counterfeit offers from internet sales channels;
- Sending cease and desist letters;
- Recording trademark rights with customs authorities;
- Providing representation in customs seizure procedures;
- Managing civil actions or private prosecutions; and
- Providing support and assistance in criminal prosecution proceedings. ■



About the author of this white paper

Gerard van Hulst is Partner and Global Accounts Director in the Dutch offices of Novagraaf. He has worked as an IP consultant since the early 1980s and has extensive experience in assisting and advising multinational companies in the protection and enforcement of their trademark and design portfolios.

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Get in touch

To find out more about Novagraaf's services, or if you have any further questions on how to tackle counterfeiting, please contact our experts by email at customerservice@novagraaf.com.

