

Intellectual Property Protection and Enforcement Manual:

A Practical and Legal Guide for Protecting Your Intellectual Property Rights



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Coalition Against Counterfeiting and Piracy

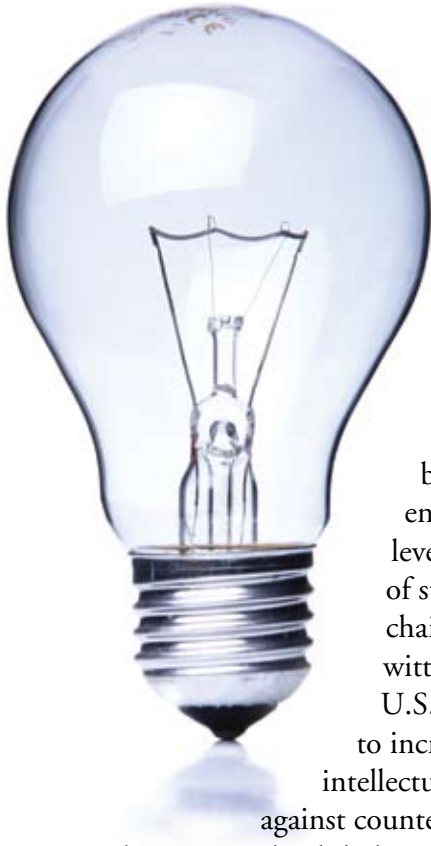
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Table of Contents

Introduction	2
Case Studies.....	23
ABRO Industries Inc.....	23
Altria Group	25
Bendix Commercial Vehicle Systems LLC.....	27
Epson America, Inc.....	29
Johnson & Johnson & Co., Inc.	31
Merck & Co., Inc.	33
Microsoft	35
National Basketball Association	37
NBC Universal.....	39
New Balance.....	41
Purdue Pharma LP	43
True Religion Brand Jeans	45
Unilever	47
Xerox Corporation	49
Appendix: Online Resources	51
About Us	52



This manual is intended to provide business owners with strategies for fighting the global problem of counterfeiting and piracy. Business owners should find this manual useful in gaining a better understanding of their intellectual property (IP) assets and to develop business practices and procedures that will help protect such assets from falling victim to counterfeiting and piracy.

This manual focuses on ways in which intellectual property brand owners can take the initiative in the fight against counterfeiting and piracy, but we recognize that this is only part of the solution. To effectively combat intellectual property theft brand owners must also vigorously cooperate with government enforcement agencies (at the local, state, federal, and international levels). In addition, brand owners must seek and acquire the support of strategic partners and intermediaries throughout the supply chain—all members of the legitimate business community who are wittingly or unwittingly facilitating the trade in illicit goods. The U.S. Chamber of Commerce is actively involved in these dual efforts to increase the capacity of the law enforcement agencies to enforce intellectual property rights, while engaging strategic partners in the fight against counterfeiting and piracy. To learn more about these efforts visit our website www.theglobalipcenter.com.

The manual is divided into two sections. The first provides basic background information on intellectual property, specifically copyrights and trademarks, and the laws and regulations that can help businesses protect and enforce their intellectual property assets. The second section provides suggested practices that businesses can utilize as part of their overall anti-counterfeiting and piracy strategy.

The Problem

Global intellectual property theft and commerce in counterfeit and pirated goods are growing at an alarming pace. Counterfeiting is no longer limited to the knockoffs of high-end designer handbags sold on city street corners but, instead, has evolved into a sophisticated black market industry involving the manufacture and sale of counterfeit versions of an unimaginable number of products. Reports of counterfeit pharmaceuticals, infant formula, automobile parts, batteries, and electronic products occur all too frequently and make chillingly clear the potential harm that could be inflicted on consumers, not to mention the counterfeited brand. At bottom, counterfeiters are opportunists



motivated by greed and will move whatever products they can through their illicit chains of distribution. Indeed, whether it is knockoff designer handbags or fake pharmaceuticals, it does not matter to the counterfeiters—as long as there is a market for the product, they will manufacture and sell it. Accordingly, every business is at risk.

It is estimated that intellectual property theft costs domestic companies between \$200 billion and \$250 billion a year¹ in lost revenues and has resulted in the loss of 750,000 jobs in the United States.² The harm caused by counterfeiting and piracy cannot be overstated. Every sale made by a counterfeiter is a sale that a legitimate business will never make. Because the counterfeiter is unlikely to have access to the same quality raw goods as the legitimate manufacturer and has no incentive to institute quality control practices or procedures, the resulting counterfeit product is most assuredly inferior in quality—and, in many instances, can be downright dangerous—compared to the legitimate product. As a result, an introduction into the market of a single counterfeit product has the potential to undermine and irrevocably damage years of building a business' goodwill and reputation.

To determine whether your business has a counterfeiting problem, you should ask the following questions:

- Do you have well-known or emerging brands?
- Have your brands captured a significant share of the market?
- Do you have a unique product that would be desired at a low price?
- Are you experiencing an unexplained increase in returns or consumer complaints?
- Are the reasons given for increased returns and complaints different than usual?
- Have you lost market share in a particular region or regions?

If you answered “yes” to any or all of these questions, then someone, somewhere, is probably counterfeiting your product. If you are not sure, or need to better understand the scope of your potential problem, you should (1) analyze your returns, complaints, and market share trends for anomalies; (2) interview key members of your sales, marketing, and quality assurance teams to obtain their firsthand impressions of the problems; (3) perform market surveillance—or “covert buys”—in areas that have suspicious decreases in market share or increases in customer dissatisfaction; (4) survey the Internet for sales of your product at suspiciously low prices and from unauthorized sources; and (5) investigate markets that you have not yet entered, because if your brand name has market share where you are not even doing business, it is pretty clear that you have a problem.

In short, any company with a well-known, valuable brand should assume that its brand is already being counterfeited. For companies lucky enough not to be victims, it is a question of when, not if. Accordingly, all businesses should develop and implement anti-counterfeiting and piracy strategies and build them into their everyday business practices. It should be made clear from the CEO level to

the factory floor that the business has adopted a zero tolerance policy toward counterfeits, and that every employee should be engaged in the fight to protect the integrity and goodwill of the brand.

Your Intellectual Property

To best protect your intellectual property assets, it is essential to understand the various pieces that make up your IP portfolio. Generally, a company's IP consists of trademarks, copyrights, patents, and trade secrets owned or used by the company in its business. With respect to brand protection, the critical intellectual property assets, that is, those that go to how consumers recognize a company and its products, are trademarks and copyrights. While discussions of these various forms of IP can and do fill multivolume legal treatises, a thumbnail discussion of each is provided in this manual.

Trademarks

Trademarks generally consist of a word, phrase, symbol, or design, or a combination thereof, that identify and distinguish the source of the goods of one party from the goods of another. A service mark is accorded the same legal status as a trademark under U.S. law, except that a service mark identifies and distinguishes the source of a service rather than a product.³

Although it is recommended, registration of a trademark is not required for a business to have rights in the mark. Adoption and use in commerce by a business is sufficient to give rise to common law rights in the mark. Protection for trademarks exists within common law for as long as the mark is properly used. However, greater protection exists for federally registered trademarks, such as the ability for enforcement at U.S. borders.⁴

Trademark law also protects "trade dress," the design and appearance of a product together with all the elements making up the overall image, which serves to identify the product presented to the consumer. Trademark law, however, only protects trade dress that is nonfunctional and either inherently distinctive or has acquired secondary meaning, that is, has come to be recognized by the consuming public as an indicator of source. The elements of trade dress must be capable of being identified with particularity so that the public and competitors will know the exact parameters.⁵

Although there are no mandatory notice requirements for trademarks, owners of common law trademarks may use the TM symbol to provide notice of their claimed rights, while owners of registered marks may use the ® symbol or the designation Reg. U.S. Pat. & Tm. Off.⁶

Registration

Owning a trademark registered on the Principal Register in the U.S. Patent and Trademark Office (the Trademark Office) provides several advantages, including (1) constructive notice to the public of the registrant's claim of ownership of the mark; (2) a legal presumption of the registrant's ownership



of the mark and exclusive right to use the mark nationwide on or in connection with the goods or services listed in the registration; (3) the ability to bring an action concerning the mark in federal court; (4) the use of the U.S. registration as a basis to obtain registration in foreign countries; and (5) the ability to record the U.S. registration with U.S. Customs and Border Protection (CBP) to aid in the seizure of infringing or counterfeit foreign goods.⁷ Protection for a registered mark exists as long as the mark is properly used and its registration is maintained and renewed.

Applications to register trademarks can either be filed in hard copy or electronically via the Trademark Office's Trademark Electronic Application System (TEAS) at <http://www.uspto.gov/teas/index.html>.⁸

Examination Process

Once a trademark application has been filed, the Trademark Office assigns a Trademark examiner to review the application to determine whether the mark can be registered. During the examination period, the examiner may issue "office actions," raising specific obstacles to registration. Such obstacles may be procedural in nature, for example, seeking a better description of the goods set forth in the application, or they may be substantive. Substantive obstacles include refusals based on the likelihood of confusion with a preexisting registered mark; the use of a name, portrait, or signature of a living individual without consent; the inclusion of immoral or scandalous matter; or the fact that the mark is either a generic term (which can never be registered) or is merely descriptive, that is, would not be recognized by consumers as an indicator of source.⁹

The applicant has up to six months to respond to an office action by presenting arguments to convince the Trademark examiner that a refusal was in error. With respect to a descriptiveness refusal, for example, the applicant can introduce evidence to show that the mark has "secondary meaning," that is, that based on exclusive use, promotion, and sales, consumers do, in fact, recognize the mark as an indicator of source. If the Trademark examiner does not accept the applicant's arguments, the applicant can appeal the determination to the Trademark Trial and Appeal Board, which will make its own determination of whether the mark should be registered.¹⁰

If the application meets the approval of the Trademark examiner, or if the applicant is ultimately successful on an appeal to the Trademark Trial and Appeal Board, then the mark will be published for opposition in the Trademark Office's *Official Gazette* in order to provide third parties with an opportunity to oppose the registration of the mark.¹¹ If an opposition is filed, an opposition proceeding commences. The proceeding is similar to, albeit not as complex as, a litigation in federal court. The parties engage in discovery, with document requests and interrogatories, take depositions, and, ultimately, submit their evidence and legal memoranda to the Trademark Trial and Appeal Board for determination. Decisions of the board can be appealed to the federal court system.¹²

If no opposition is filed, the mark will be registered, and the applicant will receive a certificate of registration in due course. The applicant then becomes responsible for ensuring that the registration is maintained by filing periodic statements of continued use with the U.S. Patent and Trademark Office.¹³

Copyrights

Copyright protects original literary and artistic expression that is fixed in a tangible form. It exists automatically when an original work entitled to copyright protection is created. Under basic copyright law, a work is “created” when it is fixed in a tangible medium of expression for the first time.¹⁴

Although displaying a copyright notice on goods is no longer required under U.S. law, providing proper notice on the packaging of the goods themselves is beneficial. It puts the public on notice that the work is protected by a copyright, identifies the copyright owner, and shows the year of first publication. Importantly, a defendant in a copyright infringement suit shown to have access to works published with the proper notice of copyright may be prevented from claiming the status of an “innocent infringer” in an attempt to mitigate actual or statutory damages. Copyright owners can provide notice of their rights by using the © symbol, or word Copyright, accompanied by the year of first publication and the name of the owner.¹⁵

The term of copyright protection varies depending on when the work was created. For works created after January 1, 1978, for example, the term is the author’s lifetime plus 70 years. If the work is anonymous or made for hire, the term is the earlier of 95 years from publication or 120 years from creation.¹⁶

Registration

Registration of copyright in the U.S. Copyright Office is a legal formality intended to make a public record of a given copyright. As with trademarks, registering the copyright with the Copyright Office provides several advantages, including the ability to (1) bring an action concerning the copyright in federal court (in fact, a copyright registration is a prerequisite to filing an infringement action); (2) recover statutory damages and attorneys’ fees in an infringement action; (3) constitute prima facie evidence of validity; and (4) record the U.S. registration with CBP to prevent importation of counterfeit or pirated foreign goods.¹⁷

To register a copyright in a work, the applicant must send to the U.S. Copyright Office: (1) a properly completed application form (<http://www.copyright.gov>); (2) a nonrefundable filing fee for each application; and (3) a nonreturnable sample of the work being registered.¹⁸

Examination Process

The examination process for copyrights is not as rigorous as the examination process for trademarks. The time needed to process an application varies depending on the amount of material the Copyright Office is receiving. If the applicant’s submission is in order, an applicant filing a paper submission can generally expect to receive a certificate of registration within approximately eight months of submission. Applicants filing online will receive their certificates faster. In the event that the Copyright Office refuses to register the copyright for the work, the applicant will have two opportunities to request reconsideration of the determination.¹⁹



Recordation of Your Intellectual Property

Trademark owners who duly register their rights with the Trademark Office and copyright holders who register their works with the U.S. Copyright Office may record these rights with Customs and Border Protection. CBP actively monitors imports in order to prevent the importation of counterfeit and pirated goods. This should be any brand owner's first (but certainly not only) line of defense against the unlawful importation and exportation of counterfeit and pirated goods.

Recordation of Trademarks²⁰

To avail themselves of CBP's assistance, business owners must first have a registered trademark. Electronic recordation of copyrights with CBP is available at <https://apps.cbp.gov/e-recordations>. Recordation of the registered trademark becomes effective upon approval by CBP and remains in force for the duration of the registration period.

Any imported article found by CBP to bear a counterfeit mark is then subject to seizure by CBP. Upon seizure, the importer is given written notice of such seizure and has 30 days to establish any claimed exemptions from the prohibition. Failing that, the importer's goods become subject to forfeiture proceedings. This procedure involves the constitutionally required notice and hearing elements for any administrative adjudication. Upon notice, the importer of the counterfeit goods has the opportunity to petition for relief from the forfeiture. The articles seized will be forfeited unless the trademark owner, within 30 days of notification, provides written consent to importation of the article, exportation, or any other appropriate disposition. If the importer fails to obtain such consent, the articles bearing the counterfeit trademark are disposed of by CBP.

In addition, CBP, in the course of examining imported goods, may disclose to the trademark owner information to obtain assistance in determining whether an imported article bears an infringing trademark. Further, at any time following presentation of the goods for CBP examination, but prior to seizure, CBP may provide a sample of the suspect goods to the trademark owner for examination or testing. This examination helps determine whether the imported article bears an infringing trademark, provided that the trademark owner furnishes a bond holding CBP harmless from any loss or damage resulting from the furnishing of the sample. If CBP makes a determination of infringement on its own and detains the goods, CBP will provide the trademark owner with the foregoing information within 30 days of the date of detention.

Recordation of Copyrights²¹

As with trademarks, in order to be recorded with CBP, a copyright must be registered at the U.S. Copyright Office. Electronic recordation of copyrights with CBP is available at <https://apps.cbp.gov/e-recordations>. The application to record must also be accompanied by a copy of the certificate of registration issued by the U.S. Copyright Office, five photographic or other likenesses of the copyrighted work, and a fee. Recordation becomes effective upon approval by CBP, and it remains in force for 20 years unless the copyright ownership of the recordant expires before that time. If the

ownership expires in less than 20 years, recordation will remain in effect until the ownership expires. If the ownership has not expired after 20 years, recordation can be renewed.

Once the copyright is recorded, “piratical” articles, that is, copies or phonorecords that are made without the authorization of the copyright owner, are then denied entry by CBP and are subject to forfeiture as prohibited imports. Suspect goods may be detained by CBP, and the importer will be notified and advised that it may file a statement denying that the article is in fact an infringing copy and alleging that the detention of the article will result in a material depreciation of its value or a loss or damage to the company. If the importer does not file such a statement within 30 days, the suspect goods will be considered infringing copies and be subject to seizure and forfeiture. This procedure involves the constitutionally required notice and hearing elements for any administrative adjudication. Upon notice, the importer of the pirated goods has the opportunity to petition for relief from the forfeiture. If the importer fails to obtain such relief, the goods are disposed of by CBP.

CBP, in the course of examining imported goods, may provide a sample of the suspect merchandise to the copyright owner for examination, testing, or any other use in pursuit of a related private civil remedy for copyright infringement, provided that the copyright owner furnishes a bond holding CBP harmless from any loss or damage resulting from the furnishing of the sample.

Laws Protecting Your Intellectual Property

Under the United States’ system of federalism, governing is shared between the state and federal governments. In other words, there may be laws at both the state and federal levels that are intended to address the same issues. At the same time, the uncodified, or so-called common law, may provide additional protections, at least with respect to civil actions. As it pertains to trademarks, this means that trademarks are protected under federal law and may also be protected under state law through state anti-counterfeiting statutes, trademark infringement or anti-dilution laws, or unfair trade practices and consumer protection laws. In contrast, with very limited exceptions, the U.S. Copyright Act expressly preempted all state and common law protections for copyright.

While this manual focuses on the protections available at the federal level with respect to both criminal and civil proceedings, you should keep in mind that additional trademark protections may exist at the state level.

Federal Civil Trademark Laws

The primary way a trademark owner may enforce its rights is by bringing suit against alleged trademark infringers. The Lanham Act of 1946 created the federal statute governing trademark infringement. Under this act, the key statutory elements of trademark infringement are use in commerce and likelihood of confusion. Use in commerce generally requires the sale, or at least the importation or other shipment, of goods bearing the infringing trademark.²²

Under the Lanham Act, a successful plaintiff can receive (1) injunctive relief, (2) the defendant’s profits, (3) any damages sustained by the plaintiff, and (4) the costs of the action. Moreover, in cases



where it is proven that the infringement was willful, deliberate, or malicious, the plaintiff may recover three times the defendant's profits or its own damages (whichever is greater), as well as its reasonable attorneys' fees.²³

The Trademark Counterfeiting Act of 1984 was enacted to provide additional causes of actions and remedies for injured IP owners. Under the act, courts are authorized to order the seizure of goods and counterfeit marks involved in the violation, the means of making the counterfeit marks, and the records documenting the manufacture, sale, or receipt of items involved in the violation.

Trademark owners may apply to the court for such orders without notifying the adverse party (an *ex parte* seizure order). Nevertheless, the courts will not grant an application unless security (that is, a dollar amount adequate to cover damages the adverse party may suffer as a result of wrongful seizure or attempted seizure) is provided by the person obtaining the order, and the court finds that the facts clearly show that (1) the application is likely to succeed in showing that the person against whom seizure would be ordered used a counterfeit mark; (2) immediate and irreparable injury to the applicant will occur if seizure is not ordered; (3) harm to the applicant by denying the application outweighs the harm to the interests of the person against whom seizure would be ordered; (4) the person against whom seizure would be ordered would destroy, move, hide or otherwise make the goods in question inaccessible to the court if notified of the proceeding; (5) the applicant has not publicized the requested seizure; and (6) the items to be seized will be located at a place identified in the application.²⁴

In 1996, the Lanham Act was further amended to provide for statutory damage awards in counterfeiting cases. Prior to 1996, courts made awards solely on the basis of a defendant's profits or a plaintiff's actual damages. Proving defendant's profits or plaintiff's actual damages, though, was often difficult, given the typical defendant's incomplete, inaccurate, or nonexistent records. Recognizing the problem trademark owners were experiencing in proving damages in counterfeiting actions, Congress amended the Lanham Act to provide for an award of statutory damages. Plaintiffs can now elect statutory damages to recover monetary compensation while avoiding the burden of proving actual damages or the defendant's profits.²⁵ A court may award statutory damages between \$500 and \$100,000 per counterfeit mark per type of goods or services sold, but for willful use of the counterfeit mark, the court may award up to \$1 million per counterfeit mark per type of goods or services sold.²⁶ A claim for statutory damages can be a powerful tool, particularly where the conduct is egregious but the quantities involved are relatively small.

Federal Criminal Trademark Laws

In addition to civil remedies, federal law provides a range of criminal law sanctions for the intentional infringement and counterfeiting of federally registered trademarks. For example, the Trademark Counterfeiting Act provides up to 10 years of federal imprisonment and up to a \$2 million fine, or twice the gross gain or gross loss, against a defendant who "intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services."²⁷

In 2006, the Stop Counterfeiting in Manufactured Goods Act (H.R. 32) modified the federal criminal law relating to the trafficking in counterfeit goods and services by prohibiting trafficking in labels, documents, or packaging that bear counterfeit marks intended for goods or services. The amendment closed a loophole created by a federal court decision which held that individuals who merely traffic in counterfeit marks themselves (for example, labels, patches, or medallions) not attached to any goods did not violate the federal anti-counterfeiting law. Additionally, the act provides for the mandatory destruction of the counterfeit goods and the forfeiture of any assets traceable to illegal counterfeiting activities and expands the definitions of “traffic” and “financial gain” under the federal anti-counterfeiting law to include *any* distribution of counterfeits (or possession with the intent to distribute counterfeit goods), with the expectation of gaining something of value.²⁸

Federal Civil Copyright Laws

A federal court action for copyright infringement under the U.S. Copyright Act is the exclusive recourse for copyright owners seeking to enforce their copyrights in a civil action. The act protects against the unauthorized use or copying of a copyrighted work. In an infringement action, unauthorized use or copying would typically be established by demonstrating that the alleged infringer had access to the copyrighted work and that the alleged infringement is substantially similar to the infringing work. A copyright registration is a prerequisite for filing a copyright infringement action.²⁹

Under the Copyright Act, a successful plaintiff can receive (1) injunctive relief, (2) the plaintiff’s actual damages and any additional profits of the defendants or statutory damages, and (3) the costs of the action and its reasonable attorneys’ fees. Statutory damages can range between \$750 and \$30,000 for infringement of any one work and can be increased up to \$150,000 for any one work if the infringement is shown to be willful.³⁰

Further, while a copyright infringement action is pending, the court may order the impounding of all copies or phonorecords claimed to have been made or used in violation of the copyright owner’s rights and of all plates, molds, matrices, masters, tapes, film negatives, or other articles by means of which such copies or phonorecords may be reproduced. Also, as part of any final judgment or decree, the court may order the destruction or other reasonable disposition of all copies or phonorecords found to have been made or used in violation of the copyright owner’s rights, and of all plates, molds, matrices, masters, tapes, film negatives, or other articles by means of which such copies or phonorecords may be reproduced.³¹

Federal Criminal Copyright Laws

Copyright infringement is a felony punishable by up to three years’ imprisonment and a \$250,000 fine when the defendant willfully reproduces or distributes at least one or more copies of phonorecords or one or more copyrighted works with a total retail value of more than \$2,500 within a 180-day period. The maximum penalty is increased up to five years of imprisonment if the defendant acted for commercial advantage or for private financial gain. Misdemeanor copyright infringement with imprisonment less than one year can occur where the value of the copyrighted work exceeds \$1,000 but is equal to or less than \$2,500.³²

An Anti-Counterfeiting and Piracy Strategy

Making sure that your IP is properly registered and recorded is only one component of a successful anti-counterfeiting and, piracy strategy. You also need a formal anti-counterfeiting and, piracy plan. Although there are trade associations and government agencies involved in this fight, the ultimate responsibility for protecting your brands and trademarks is yours. Brands and trademarks are among your most valuable assets—a formal plan, as important as any business plan or new product specifications should be developed. The need for a plan is even more acute if there are significant health and safety risks associated with the products you manufacture. While it is bad to lose sales and market share, it is another thing entirely to have your brand name used in connection with a fire or loss of life.

Unfortunately, there is no off-the-shelf solution to your company's anti-counterfeiting strategy needs. Every company is unique, and each company's anti-counterfeiting program must be specifically tailored to its own particular requirements. The following sections provide some suggestions for building such a strategy.

Internal Monitoring

A successful anti-counterfeiting strategy begins with self-analysis. Counterfeiters prey on companies with lax security measures and porous supply chains. Moreover, companies that turn a blind eye to the diversion of products into unauthorized markets or channels of trade are asking for trouble as this gray market provides perfect cover for counterfeiters to introduce their illegitimate goods. Counterfeiters have an uncanny ability to detect weaknesses in a brand owner's supply chain and frequently point to those weaknesses when accused of counterfeiting.

Although getting products to market would appear to be as simple as moving goods from point A to point B, it is never that easy. Instead, products typically pass through many hands, from the manufacturing process to distribution to retail. Each exchange provides an opportunity for counterfeiters to infiltrate the supply chain with counterfeits. Accordingly, brand owners should consider the following for protecting their supply chains.³³

Legitimate Inputs

To ensure that raw materials and parts are authentic and meet company standards, brand owners should:

- Purchase materials and equipment used in manufacturing from company-authorized suppliers only. Where possible, source from fully auditable vendors that source exclusively from original manufacturers, franchised distributors, or the first owners of the goods.

- Develop guidance for buyers on how to assess the legitimacy of the supplier.
- Qualify vendors through periodic audits of facilities and documents. Consider reducing your sourcing base to enhance auditing ability.
- Control and audit the receipt of product ingredients and components to ensure that they meet company specifications.
- Employ the concept of “strict liability” for failure to deliver authentic components and parts in contracts with suppliers to hold the suppliers responsible for fraudulent goods.
- Consider requiring vendors to meet standards published by outside organizations.
- Establish an internal process for dealing with received counterfeit products from a supplier. Destruction, which may impact any financial issues and products returned to the supplier, could be released back into the stream of commerce.
- Institute shipping policies to protect the integrity of raw materials and component parts including (1) guidelines to ensure the physical security of overseas factories in the supply chain (for example, like those for the Customs-Trade Partnership Against Terrorism/C-TPAT); (2) using seals on all containers and noting seal numbers on shipping manifests to protect containers from being opened and resealed; and (3) developing partnerships with CBP to exchange information and target shipments suspected of containing counterfeit products.

Legitimacy of Customers and Distributors

Counterfeiters often pose as legitimate business owners and seek to purchase products in bulk in order to blend fake products and maximize returns and launder resources. To ensure that sales are being made only to legitimate distributors or retailer outfits, brand owners should:

- Educate the sales force on how to assess the legitimacy of customers. Factors to consider include (1) whether the customer has ordered an unusually large volume for normal needs, (2) whether the customer is willing to pay cash for very expensive orders, (3) whether the customer has an appropriate business background, (4) whether the product capabilities fit the customer’s line of business, (5) whether the company has good credit, and (6) whether the delivery dates are vague or whether the deliveries are planned for out-of-the-way destinations.
- Train and educate the sales force on guidelines. Include incentives and penalties for adhering to or failing to adhere to guidelines.



- Employ investigators to track customer history and refuse to do business with organizations that have been found to trade in counterfeit goods.
- Ensure that subcontractors produce only authorized merchandise by performing audits to make certain that subcontractors are not running “third shifts” to replicate products for distribution in the illegitimate market.

Production Waste and Damaged or Unusable Inventory

Counterfeiters often prey on scrap yards, waste repositories, or reclamation centers to obtain inferior goods discarded by brand owners. To deter theft and diversion of these goods, brand owners should:

- Institute policies to certify that production waste and damaged and unusable products are destroyed or appropriately disposed of.
- Have the facilities of the manufacturer or factory inspected to account for all unused raw materials if a factory is no longer being used by the brand owner or its supplier.
- Select one or two trusted charities for product donation to ensure that goods are not diverted to the gray market and blended back into the legitimate supply chain.

Legitimacy of Purchased Products at Retail Level

Retailers can employ a variety of tools to ensure the legitimacy of purchased products at the retail level, including:

- Educating buyers on how to assess the legitimacy of the supplier.
- Auditing shipments from all sources (especially those that do not come directly from manufacturers) to verify authenticity of packaging, case markings, pallet configurations, etc.
- Opening product cases to confirm that units have the same batch numbers, expiration dates, and uniform product codes (UPC).
- Employing track and trace methodologies with bar codes or Radio Frequency Identification (RFID).
- Auditing products on the shelves for consistency of packaging, quality, and freshness.
- Instituting procedures for authenticating distribution partners and ensuring their legitimacy, including requiring that products be original and unadulterated and in manufacturer cartons, cases, or shippers and that original carton case seals be sealed and unaltered.

Brand Integrity

Rights holders need to monitor the retail space and report IP infringements. To enhance protection for products and to drive out fakes in the system, brand owners should:

- Enhance market intelligence by utilizing “mystery shopping” techniques to gather random samples of products for inspection and authentication and to monitor the marketplace environment.
- Monitor sales of brand name products on the Internet, in particular, auction sites.

Appropriate Technology

There are a number of companies involved in developing methods and technologies that can help detect counterfeit products. Brand owners should examine options for applying simple, low-cost solutions that can help differentiate authentic products from counterfeit ones, including deliberate packaging flaws and covert product design flaws. In addition, brand owners should consider the applicability of new technologies that offer more technically advanced features such as bar code symbologies, RFID tags, holograms and watermarks, and anti-counterfeiting ink technologies.

Employees Involved in the Fight

A successful anti-counterfeiting strategy depends on complete company buy-in. From the boardroom to the warehouse, all employees must be made aware of the vital importance of IP to the well-being of the company. Everyone must understand that each counterfeit copy of the company's products purchased by a customer is a stolen legitimate sale. Moreover, employees must be made aware that the gray market fosters the development of the black market, and that any defect in the supply chain will make it harder for the IP owner to proceed (through civil or criminal enforcement) against counterfeiters.

A brand owner's sales force is uniquely placed to help a brand owner understand product weak spots and assist in the design of a strategy against counterfeiters that threaten brand security. Salespeople should be trained to recognize signs that may indicate a counterfeiting problem, but they should also be cautioned not to take unnecessary risks or get involved in potentially dangerous situations. Remember, counterfeiters are criminals. Moreover, there should be open lines of communication between the brand owner's sales force, engineering department, returns department, and those responsible for developing and implementing the brand owner's anti-counterfeiting plan so that suspicions regarding potential counterfeiting can be confirmed and dealt with quickly.

Brand owners should also look to their customers to help in the fight against counterfeiting. Where the brand owner is involved in the manufacture of branded component parts the customer may be the best source of information concerning counterfeit goods. In addition, brand owners should make their customers aware of the steps taken to protect against the infiltration of counterfeit products and enlist the aid of customers by training them to identify suspect products.



Outside Resources

An anti-counterfeiting plan also depends upon the successful interaction between the brand owner's internal operations and outside agencies and individuals, including law enforcement, private investigators, and outside legal counsel, involved in the fight against counterfeiting. Here are some suggestions for making these interactions successful:

Law Enforcement Agencies

Criminal prosecution of counterfeiters is typically the responsibility of federal government prosecutors. There are, however, a number of things that IP owners can do to help. Prosecutions of IP crime depend on cooperation between IP owners and law enforcement. Without information sharing, prosecutors can neither determine the most effective overall enforcement strategies nor meet the burden of proof in a given case. The U.S. Department of Justice suggests the following steps:³⁴

Thorough Investigation

Internal or external monitoring programs should have the ability to conduct thorough background investigations. These investigations generally encompass a variety of investigative steps, including interviewing witnesses, acquiring counterfeit goods, conducting surveillance of suspects, and examining computers and other evidence.

Investigative Steps

All internal investigations should maintain a record of investigative steps employed. This record can later be presented to law enforcement and entered into evidence, if necessary.

Evidence Preservation

Any physical, documentary, or digital evidence acquired in the course of an investigation should be preserved using generally accepted forensic techniques for later use in a legal proceeding.

Law Enforcement Agency Contact

IP owners can maximize the potential for obtaining legal remedies by contacting law enforcement agencies as soon as possible after detection of potential crimes. Early referral is the best way to ensure that all investigative avenues, such as the execution of search warrants and possible undercover law enforcement activities, are fully explored. Early communication with law enforcement authorities also allows IP owners to coordinate civil proceedings with possible criminal enforcement.

Identification of Stolen Intellectual Property

IP owners should assist law enforcement officers in identifying stolen intellectual property. Law enforcement may call upon an owner representative or expert to examine items obtained during an investigation to determine their origin or authenticity. Moreover, prosecutors typically seek testimony from the owners at trial. In certain investigations, law enforcement agents may want to have an IP owner present during the execution of a search warrant to help the agents identify specific items to be seized. In those circumstances, the owner's activities will be strictly limited to those directed by supervising law enforcement agents.

Results of Internal Investigations or Civil Lawsuits With Law Enforcement

IP owners should provide law enforcement with information gathered as a result of internal investigations into instances of IP theft. Furthermore, unless the proceedings or the information have been ordered sealed by a court, owners may generally provide law enforcement with evidence or materials developed during civil IP enforcement actions, including court pleadings, deposition testimony, documents, and written discovery responses.

Law Enforcement Task Forces

Federal, state, and local law enforcement agencies and prosecutors have formed task forces to combat IP crime and to promote information sharing between government and industry. Examples include Secret Service Electronic Crimes Task Forces and FBI "Infragard" chapters. Additionally, many areas have high-tech crime task forces that investigate IP theft. Members of the IP owners' community are encouraged to participate in these organizations to establish law enforcement contacts that will enable law enforcement to respond quickly to incidents of IP theft and other crime.

Law Enforcement Education and Training

Intellectual property owners can help protect against counterfeiters by educating law enforcement officials about their brands, product lines, and mechanisms for determining whether suspect goods are, in fact, counterfeit. Effectively trained law enforcement officials, who are on the lookout for counterfeit goods, can supplement an IP owner's external monitoring program.

Preparation

Have an internal procedure in place on how the company will deal with counterfeit products. Determine who is responsible for the process and who will deal with outside law enforcement. The first instance of discovering counterfeit products is not the time to start researching who to contact. Develop a working relationship with local law enforcement as well as with appropriate federal and state law enforcement.



Customs and Border Protection (CBP) and Its Investigatory Counterpart, Immigration and Customs Enforcement (ICE)

After September 11, 2001, the U.S. Customs Service, which had been a bureau under the Department of Treasury since 1789, was moved to the newly created Department of Homeland Security. The criminal investigation function was removed from the Customs Service and combined with the criminal investigative function from the Immigration and Naturalization Service to form the Immigration and Customs Enforcement, or ICE. The U.S. Customs Service was combined with Border Patrol and elements of the Department of Agriculture to form the U.S. Customs and Border Protection, or CBP.³⁵

CBP officers examine cargo at more than 300 ports of entry, including seaports, airports, and land border crossings. CBP can target a shipment for examination and detain it if it is suspected of containing counterfeit or pirated merchandise. If the products are counterfeit or pirated, CBP can seize the shipment, preventing its entry into commerce. Not all cargo shipments can be examined by CBP (the amount of time, resources, and staffing needed to do that would be overwhelming and slow legitimate commerce to a crawl). ICE has special agents who conduct criminal investigations of individuals and businesses that are suspected of importing and distributing counterfeit merchandise within our borders.

Your Intellectual Property Registration and Recordation

The first step in seeking the assistance of CBP in policing for counterfeit products is to register your trademarks and copyrights with the Trademark Office and the U.S. Copyright Office, respectively. Trademark and copyright registrations are the prerequisites for recording your intellectual property with CBP. Once your IP is recorded, you are entered into CBP's database as a trademark or copyright holder seeking intellectual property rights protection. Recording gives CBP the ability to protect your IP at all U.S. ports of entry.

Nature and Extent of Your Counterfeiting Problem

If you are aware of a specific counterfeiting problem, you can give this information to the National Intellectual Property Rights Coordination Center (the National IPR Center) in Washington, D.C. The center is a centralized hub for gathering intelligence on counterfeiting. It is a joint operation staffed by agents from ICE, CBP, the FBI, the Department of Justice, the Department of Commerce, the Food and Drug Administration, and the U.S. Postal Service. Once you have acquired the necessary information on the nature and extent of your counterfeiting problem, you can report it to the National IPR Center using the online form at www.ice.gov/partners/cornerstone/ipr/IPRForm.htm. You can also report it at CBP's Web site, at cbp.gov using the e-Allegations form available at <https://apps.cbp.gov/eallegations>.

If your case is determined actionable, you will be contacted for further information. Be prepared to explain your referral report and provide more detail. The resources of government agencies are

limited; therefore, for them to consider that your counterfeiting problem warrants enforcement action, you will need to provide as much information as possible. No information is too trivial.

Moreover, you must be prepared to respond quickly when contacted and provide all of the information that you have compiled about your counterfeiting problem. It is pivotal to your success in working with CBP that you designate a central point of contact, whether an individual or a team of individuals, that CBP can work with to deal with your counterfeiting problem. The best way to maximize CBP's help is to make it easy for CBP to contact and interact with you. This will contribute to the success of the partnership you want to develop.

In addition, you can make CBP's job easier by providing it with tools, including a dedicated phone line and fax line to reach you; a dedicated e-mail address; a secure Web page that it can log on to check information; and a reference manual that contains information that it can use to verify authenticity of your trademarks.

CBP Officers Training

Regardless of the other tools you put in place, there is no substitute for one-on-one training. As an intellectual property rights owner, you should offer to conduct product identification seminars at CBP ports and field offices throughout the country. The more ports that you reach out to, the more awareness you will raise about your company and its IP, and the more likely that you will receive enforcement action from CBP.

The training seminars that you conduct should be complemented with the distribution of product identification manuals, security feature identifiers, etc., that will make CBP's job of recognizing counterfeit trademarks easier. These tools should be clear, concise, and easy to use. Confusing guidance documents or difficult-to-use equipment to identify the authenticity of trademarks can deter or diminish enforcement.

Inquiries Regarding Suspect Goods

When CBP calls to report that it has detained a product with a trademark that looks like yours but is a suspected counterfeit, you must be prepared to respond. You must also be absolutely and unequivocally certain that the detained product is either legitimate or a counterfeit. You cannot afford to make a mistake and tell CBP that a trademark is counterfeit if you are not 100% sure. Someone has paid for the shipment and may have purchased it in good faith. The product may, in fact, be authentic. If you tell CBP that it is a counterfeit, and CBP seizes it only to find out later that the marking is genuine, the consequences could be unfavorable. You have opened the door for a potential lawsuit from the importer of the goods and have severely damaged your credibility with CBP.

With strict supply chain control procedures in place, the call should be easier to make. If you can identify the goods as counterfeit with certainty, put the reasons why the product is counterfeit into a letter on company letterhead and send it to CBP.

Follow Up on Seizures

When CBP seizes a shipment of infringing merchandise, it does so under federal statutes. Since counterfeiting is a federal crime, those statutes provide for monetary penalties that the importer must pay to CBP. If the shipment is large, the penalty can amount to tens of thousands of dollars, not to mention the loss of the shipment and what was paid for it. Obviously, the importer is going to be upset about the loss, and you should expect that the importer will try to contact you.

Furthermore, importers of infringing goods are given the right under federal statute to petition for the release of the merchandise. The Anti-Counterfeiting Act of 1996 states that in the absence of written consent of the trademark holder, the seized shipment must be forfeited to CBP. If you are certain that the goods are counterfeit, do not give consent. As the IP owner, you have the upper hand. After all this work with CBP in catching a counterfeiter, making a deal with the importer for the release of the shipment makes no sense. Do not cave in to the temptation of concessions or manipulations of the product from importers. By standing your ground, you will be telling the counterfeiters that you will not tolerate the counterfeiting or piracy of your intellectual property, while also telling CBP that you support its efforts.

Once CBP knows that you are serious and support its efforts with a zero tolerance policy, you are well on your way toward building a strong foundation, built on trust and integrity. CBP may go after businesses that are distributing counterfeits of your products that are already in the stream of commerce. It may target warehouses and conduct raids in the interest of seizing counterfeit goods. It may also want you there to identify potentially infringing merchandise. It is your obligation to make yourself available in these circumstances. Remember, CBP is taking the initiative to help you.

Finally, raids can result in the arrest of individuals trafficking and distributing counterfeit and pirated goods. Ultimately, the U.S. attorney may want to prosecute these people. If that is the case, you may need to testify in court. Keep records of your work with CBP so if and when the time comes, you are prepared to accurately talk about your company's IP and how the seized products were identified as being counterfeit or pirated.

Private Investigators

Other key players in any successful anti-counterfeiting program are private investigators. Good private investigators can serve as your eyes and ears on the street, following leads, interacting with CBP and law enforcement, and sending messages to counterfeiters that you are on the lookout for counterfeit goods. In addition to tracking down instances of counterfeiting, investigators can help train law enforcement and CBP officials to identify counterfeits of your products. Some investigators also provide their own 24-hour hotlines that law enforcement and CBP officials can use whenever they come across suspect goods. While the nature of the brand owner's business and the geographic scope of its product distribution may determine whether a brand owner can rely on a single investigator or a network of investigators, following are some suggestions for creating a successful investigator relationship:

Investigation of the Investigator

Because the private investigator often serves as the “face” of the brand owner when interacting with law enforcement, or perhaps, testifying for the brand owner in court, the first step in selecting an investigator is to do your own investigation. Make sure that the investigator provides you with a copy of his or her license and proof of insurance, has an established business with an office, performs thorough background checks on all employees, and has IP experience that can be verified with references from other brand owners.

Particular Strength of the Investigator

The type of investigator needed may also be determined by the brand owner’s particular needs. For example, certain investigators are focused on Internet-based monitoring and investigations, while others may be plugged into certain geographic areas or ports. It may be that the brand owner finds itself depending on a network of investigators to adequately cover its needs.

Investigator Training

Just as with CBP and other law enforcement agencies, it is critical for the brand owner to train the investigator to be able to identify counterfeits of the brand owner’s products. This way, the investigator can always be on the lookout for counterfeits of the brand owner’s products and can share that information with law enforcement officials.

Responsiveness to the Investigator

In a good relationship between the brand owner and the investigator, the investigator will be a constant source of information about potential instances of counterfeiting. It is important, therefore, that the brand owner be available and responsive to the investigator’s reports. Brand owners should create a hotline for reporting counterfeiters or, at least, provide the investigator with a single point of contact for reporting counterfeiters.

OUTSIDE LEGAL COUNSEL

Brand owners should also develop relationships with outside legal counsel who are versed in handling anti-counterfeiting matters. Counterfeiters are criminals who, from the very beginning, have taken measures to conceal their true identities and cover their tracks. When confronted by injured brand owners, they often lie under oath and destroy incriminating documents. The use of outside legal counsel experienced in defeating these kinds of tactics is necessary to make litigation an essential and cost-effective part of your overall anti-counterfeiting and piracy strategy.

In addition, an experienced anti-counterfeiting attorney can advise the brand owner in developing and implementing all other aspects of an effective anti-counterfeiting plan and can serve to coordinate the brand owner’s anti-counterfeiting efforts by interacting with law enforcement, CBP, private investigators, and counsel for other brand owners in responding to counterfeiting.



Brand owners should also be ready to employ civil litigation to deter future infringements. Even on small counterfeiting cases, taking action through litigation will demonstrate to counterfeiters that they are at risk no matter what the level of sales activity. Moreover, the discovery process in civil litigation can be useful in obtaining information about counterfeiters and their suppliers, while Temporary Restraining Orders, Seizure Orders, and Asset Seizure Orders can be incredibly effective in putting counterfeiters out of business. Brand owners should also be aware of creative civil enforcement efforts such as Facility/Venue Permanent Injunctions and Orders of Seizure, National Preliminary Injunctions and Orders of Seizure, and suits against Secondary Infringers (contributory and vicarious liability) such as services, financiers, and landlords.

ORGANIZATIONS INVOLVED IN THE FIGHT AGAINST COUNTERFEITING AND PIRACY

Brand owners should realize that they are not alone in the fight against counterfeiting and piracy and that there are a number of organizations dedicated to combating counterfeiting and piracy that brand owners should get involved with. These organizations can be valuable sources of information and contacts for brand owners and can speak with a strong and unified voice in seeking to improve government policy with respect to intellectual property issues.

Endnotes

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ABRO INDUSTRIES INC.

Take a stroll down the aisles of automotive and hardware stores around the world, and the impact of ABRO Industries, Inc., is seen on the shelves. Whether it's motor oil, car cleaning products, sealants, or even duct tape, ABRO's diverse product offerings have helped keep cars running and have been the glue that holds projects together for 65 years. Its automotive, consumer, and industrial products have earned a loyal customer following due to the company's affordable and dependable products, as well as a business philosophy that emphasizes the value of having global distribution partners.

As with any company possessing a global supply chain, ABRO takes an aggressive approach to protecting its products and customers from counterfeiting. As William Mansfield, a former military intelligence specialist and currently ABRO's intellectual property attorney, points out, "You need to outsmart the counterfeiters at their own games, and you can't always rely on traditional methods for doing so." With a presence in more than 180 countries and an anti-counterfeiting team in more than 100 of them, ABRO's need for a dedicated intellectual property (IP) officer is clear.

The Challenges

ABRO battles two primary types of counterfeit products: (1) exact counterfeiters who copy the packaging of ABRO's products but provide inferior products, and (2) trade dress counterfeiters who slightly change the product's packaging to give the consumer the impression of an ABRO original.

By combining knowledge of IP laws around the world and an aggressive strategy to stop counterfeiting, ABRO has made significant progress in recent years, particularly in China. "We've been very pleased with the Chinese system," says Mansfield. While competent advisers are crucial, and sanctions are not as severe as in the U.S., "overall, we believe the Chinese are on the cusp of a breakthrough in their legal system, giving IP holders real options [against counterfeiting] in China." ABRO is unrelenting in China as counterfeiters try to exploit the country's vast manufacturing system. Mansfield adds, "China is a huge country, and counterfeits keep popping up. But because of our legal successes in court, we know there is no one we can't stop."

However, Mansfield believes that ABRO's most significant IP challenges in the long run will stem from trade dress counterfeiting. Because ABRO's efforts to thwart exact counterfeiters have proven successful, these criminals have shifted gears to focus on deceptive trade dress efforts. "You've got to hit the counterfeiters in ways they don't expect to keep them moving," Mansfield explains. "When they can't see it coming, they will move to the fringes of counterfeiting and replace 'ABRO' with 'ABRD' to try to catch the consumer off guard."

While exact counterfeiting requires focusing on a select group of countries where this illegal manufacturing takes place, trade dress counterfeiting requires battling a more comprehensive global strategy because it can happen at any point throughout the supply chain. The first step in combating this type of activity is early trademark registration in every country where ABRO's products appear. With more counterfeiters in foreign countries copying product descriptions and making subtle packaging changes, ABRO works to educate local distributors and arm them with experienced agents and counsel to determine where the fakes are coming from. Once identified, retaliatory actions include the use of cease and desist orders, civil and subsequent criminal court actions, and collaboration with local police and regulatory agencies for raids and fines.

Relationships

While legal enforcement is a major component of ABRO's strategy, the company also directs substantial energy to cultivating strong relationships with local distributors. Maintaining relationships based on trust with distributors is key, as reliable distributors have a vested interest in stopping the counterfeiting of ABRO's products. Distributors who are confident in ABRO's enforcement efforts become more willing to invest in its products. These relationships help ABRO maintain its trusted name worldwide.

Personal relationships with investigators and prosecutors also figure prominently in ABRO's enforcement efforts. "You can't run an effective anti-counterfeiting program from your desk," explains Mansfield. He argues that personal contact is critical in helping the parties understand how serious this problem is. "One of the best investments of my time is traveling. When you fly halfway around the world to meet with people on an urgent matter, they know you mean business." Mansfield believes in seeing the problems up close and personal so that he can work with his colleagues on the best way forward in a particular market. Mansfield adds, "Every region and every country is so different that you really

have to view them up close to make accurate predictions for what will or won't work."

ABRO devotes considerable resources to educating and training customs officials worldwide to help them detect fake ABRO products. Because Customs' checkpoints often represent the first opportunity to stop fakes from entering a particular market, developing a dependable worldwide Customs support program is vital. This is particularly important in light of the company's extensive distribution network, which means that goods often pass through a number of countries before arriving at the end user.

ABRO helps coordinate supply chain links to bring information to distributors and Customs' officials, thereby facilitating prosecutions. Mansfield cautions that this approach only works when connections with key people and organizations are created before they are needed. "Showing up a day before you think a ship might arrive and trying to bully Customs' officials into dropping what they are doing to help you won't work. Unfortunately, it's what many companies end up doing. You have to get them on your side before you need them."

ABRO recognizes that the counterfeiting of its products is a challenge that comes with the territory of being a globally respected enterprise. While counterfeiters are becoming increasingly sophisticated in their efforts to rip off companies, ABRO is confident that its focus on building relationships and alliances to tackle the problem is reaping rewards.



Altria

Altria Group

Altria Group may not be a household name, but its companies make some of the best known brands in the world. One such company is Philip Morris USA (PM USA), the largest tobacco company in the United States with half of the U.S. cigarette market's retail share. PM USA brands include Marlboro, Parliament, and Virginia Slims. John Middleton is another leading manufacturer of machine-made large cigars and pipe tobacco, with its largest brand being Black & Mild cigars.

Like many other consumer products, popular cigarette brands have also been targets of criminal counterfeiters. Altria and its companies understand that they have a role in addressing this problem in concert with law enforcement, regulatory authorities, and other affected groups.

Interestingly, the problem was little understood until PM USA began receiving consumer complaints several years ago. When the company inspected cigarette packs mailed in by consumers it discovered that the Marlboro brand had been counterfeited. As Beth Kelly, a 28-year Altria veteran who currently serves as Director of Brand Integrity for Altria Client Services, recalls, "This was when we realized how serious a problem we were facing."

Following this discovery, PM USA formed the Brand Integrity Department in 2002. Today, the department is part of Altria's Client Services and provides a range of brand protection services to Altria's companies, including PM USA and Middleton. The department's role is to help Altria Group's various companies protect the integrity of their brands and the legitimate trade channels through which they are distributed and sold.

Brand Integrity staffers focus on six main strategies: (1) law enforcement support, (2) product intelligence, (3) market monitoring, (4) litigation, (5) illegal trade legislation, and (6) enforcement of company trade policies. These six strategies for brand protection are carried out across the family of companies by multiple business functions including Sales, Corporate Security, Legal, and Market Information. As Kelly points out, "We work collaboratively across these functions, in addition to working with law enforcement, regulatory authorities, and law firms to protect the brands owned by Altria's companies."

Law Enforcement Support. Through ongoing law enforcement engagement, Brand Integrity staff work with federal, state, and local agencies to share market intelligence on the presence of contraband products and methods for identifying counterfeit packaging. A group of regional security managers (all former federal law enforcement agents) are responsible for interaction with law enforcement and provide support services such as training and field inspections of seized products.

Product Intelligence. "We have developed a quick guide and other collateral materials for law enforcement that we use for training and raising awareness about counterfeit cigarettes," says

Kelly. “It’s not always easy to determine fake packaging since counterfeiters are getting increasingly sophisticated. As a result, we’ve invested considerable resources in developing security features that help the company and law enforcement distinguish the real from the counterfeit.” PM USA’s secret security features stem from a product intelligence strategy that leverages new technology and allows the company to detect counterfeit product packaging.

Market Monitoring

The company’s market monitoring programs gather information about contraband (including counterfeit) cigarette-related activity. For instance, third-party buyers and investigators engaged by the Brand Integrity department regularly purchase PM-branded cigarettes from retail stores, online sellers, and “nontraditional” outlets where tobacco products would typically not be sold. Then they determine their authenticity and origin. PM USA takes action under its contracts and trade policies against wholesalers and retailers found trading in contraband PM-branded products. “We provide reports of such actions to the appropriate law enforcement authorities,” says Kelly.

Monitoring efforts have identified important trends that enable the Brand Integrity team to better focus its resources. “We have identified geographic areas overseas where we suspect that counterfeit PM-branded products are manufactured, as well as the states in this country where they are normally sold,” says Kelly. “This should immediately raise red flags at ports and other entry points because all brands produced by Altria companies for domestic consumption are made here and shouldn’t be coming in from abroad.”

Litigation

Civil litigation provides another avenue for brand protection within the Altria family of companies. PM USA has filed suit against retailers, illegal importers, and Internet operators found to be trafficking in contraband PM-branded cigarettes. Kelly says, “Civil litigation serves

the dual purpose of cracking down on those who violate the law, while also helping us better understand the counterfeit market.”

Illegal Trade Legislation

Altria Group and PM USA have supported federal and state legislation to better protect the legitimate channels of distribution, impose more stringent penalties for the violation of laws related to contraband cigarette trafficking, and provide additional tools for law enforcement. According to Altria, the Prevent All Cigarette Trafficking (PACT) Act is an important federal bill that, when enacted, will close a number of gaps in current law regulating “remote” or “delivery” sales (such as Internet and mail-order purchases) of cigarettes and smokeless tobacco products and makes these products undeliverable through the U.S. Postal Service. At the state level, PM USA supports legislation that requires licensing of cigarette manufacturers, importers, wholesalers, and retailers; serialized tax stamps in every state; seizure and destruction of illegal cigarettes; and stricter regulations governing the sale of cigarettes over the Internet (including reliable age verification and tax collection).

Enforcement of Company Trade Policies

PM USA works diligently to make its trade partners (wholesalers and retailers) aware of threats posed by counterfeit and contraband products and to require that they adhere to company trade policies governing trade in such products. According to Kelly, “We want all wholesale and retail partners who participate in PM USA trade programs to understand that PM USA vigorously protects its brands and the legitimate trade channels through which they are distributed and sold.”

Kelly and her Brand Integrity team are committed to dealing with a range of evolving counterfeit product issues. In protecting well-known premium brands, the resources her team devotes to fight counterfeiting make business and economic sense.



Bendix Commercial Vehicle Systems LLC

Bendix Commercial Vehicle Systems LLC, a member of the Knorr-Bremse Group, develops and supplies leading-edge active safety technologies, air brake charging and control systems, and components under the Bendix® brand name for medium-duty and heavy-duty trucks, tractors, trailers, buses and other commercial vehicles. Employing more than 2,200 people, the company is headquartered in Elyria, Ohio, near Cleveland.

Several industries, including automotive, take a particularly dire view of counterfeiting and piracy because of the effect of these activities on *consumer safety*. According to Anthony C. LaPlaca, Bendix vice president and general counsel, millions of dollars in Bendix look-alike valve and brake products reach the automotive aftermarket annually—putting drivers at risk with low durability, poor fit, and inferior workmanship. He notes that the sophistication of counterfeit operations has improved to the point where it is difficult for consumers to discern the real from the copy. However, in terms of performance, quality, and actual costs, the differences are huge. “We’ve actually seen air dryers that were filled with kitty litter instead of desiccant.”

Beyond safety, counterfeiting clearly undermines brand equity. When fake products fail prematurely, there is a natural perception that the (supposed) Bendix product has not performed as expected. Genuine product “leaked” from the supply chain also has revenue and share consequences. But this is less of a problem for Bendix, and not one that severely impacts consumer safety.

For Bendix, counterfeit-related safety problems usually aren’t the result of customers looking to save a few dollars. In fact, people frequently return failed products to Bendix, and only *then* discover that these “under-warranty” items are fakes. Real Bendix products have a logo or other unique identifying mark cast into them, but unless the customer looks closely, he might fail to notice a missing logo or detect a counterfeit one. Manufacturing codes are also attached to legitimate Bendix parts, but these are easily duplicated by counterfeiters. Moreover, a maker of fake products can always claim that codes are “its own.”

In some industries, the knock-off problem can be mitigated with distinctive and/or tamper-resistant packaging. Unfortunately, heavy truck parts—which usually are sold through distributor outlets and repair facilities—often are removed from the packaging before final sale, or are installed without the customer ever seeing them. So despite the fact that Bendix parts arrive in boxes with the Bendix name and trademark on them, the package and the customer may never “meet.”

The bottom line is that most—but *not all*—customers are unwilling or unknowing participants when it comes to counterfeit or knock-off parts. Unlike apparel, digital

entertainment and a score of other counterfeitable products, vehicle parts that undermine safety are generally undesirable. But what about the rest? A portion of the buying public may simply be convinced that paying extra for the genuine article is a waste of money. It also is common for sellers to believe that the “off-brands” on their shelves and in their warehouse *do not* represent a safety hazard to the end user or the general public.

So who are the offenders? Mostly, they are manufacturers, distributors, repair services, and retailers of deliberately-identical, non- or illegally-branded parts that are *intentionally misrepresented as Bendix*. The part or the packaging doesn't even have to have the Bendix logo, name, or part number on it to be fraudulently marketed as genuine Bendix. On the manufacturing end, Asia is the most common source of counterfeit product. Quality control and manufacturing consistency in these facilities is largely, if not completely, lacking. Also absent is the warranty and service support that accompanies each genuine Bendix product. Their sole mission is margin—just like the (mostly independent) distributors, retailers, and repair services that import and sell the fake products.

Bendix has taken numerous actions to protect itself and its customers. The heart of these efforts is its Intellectual Property Protection and Enforcement Program, activities of which include:

- Instituting patent- and trademark-infringement actions against companies that sell or distribute knockoff parts that infringe on Bendix patents and trademarks.
- Circulating Bendix trademark usage guidelines to distributors and dealers.
- Providing ongoing training to sales force and customer service personnel.
- Implementing customer- and industry-awareness campaigns.
- Meeting with senior management at distributors to discuss intellectual property compliance.
- Working closely with industry and trade associations, as well as groups concerned with

legal and governance issues, such as brand protection and intellectual property.

- Maintaining an active trade show presence, with literature and side-by-side displays of inferior (knock-off) products and genuine Bendix products. Bendix also works with trade show sponsors to have infringing products and literature removed from offending parties' booths.

Bendix knows the problem is ubiquitous. Still, Anthony LaPlaca is pleased with the results that his company's efforts have produced. Even simple cease and desist communications have been effective—probably due to litigation successes Bendix has experienced with trademark infringement cases. To date, the company has made few attempts to “go to the source”—the (largely Chinese) manufacturers of bogus products.

Fortunately, stateside government has been more receptive—offering (among other things) immigration and customs training through the National Intellectual Property Rights Coordination Center. Working in this manner has helped Bendix form useful relationships with government agencies and to understand government intervention programs. For example, after attending a Coordination Center seminar, Bendix was spurred to accelerate its process of registering common law trademarks. The hope now is that lawmakers will extend intellectual property protection to industrial designs of safety-related products such as air brake systems and components. The entire automotive industry, and other key U.S. sectors, would benefit from this type of legal protection.

However, to really make a dent, La Placa notes that it will be necessary to intervene at the source: getting to the overseas manufacturers by expanding intellectual property protection *where products are produced*. Ever-higher levels of ongoing consumer education will also be necessary—not only helping end users recognize fake parts, but giving them the tools and the fortitude to make sure they're protecting themselves by acquiring the genuine article.



Epson America, Inc.

Epson America, Inc., offers an extensive array of award-winning image capture and image output products, including color ink-jet printers, scanners, LCD multimedia projectors, and monochrome dot matrix printers. Epson's branded products are designed for a variety of customer environments including business, photography, government, audiovisual, graphic arts, and the home.

Counterfeiting and piracy, as they do for most companies today, provide interesting challenges for Epson. While technology gets more and more sophisticated, so, too, do the counterfeiters. Sharon Kreps, Epson's channel marketing manager, says, "Manufacturers who think their products are free and clear of this problem are living in a dream world. I still get disbelief when we talk about counterfeit ink-jet cartridges. People don't realize that everything in your everyday life can be counterfeit." Epson is not sitting by idly while its products are hijacked. The company is employing a number of tactics to protect its brand reputation.

Epson started using authentication and tracking technologies in the late 1990s, beginning with an embossed hologram label and then moving to a color shift label. The company's most overt use of authentication was initiated in 2004 with the addition of a regional photopolymer hologram in its Latin American products, where it had persistent problems with counterfeiting. Kreps explains, "In the United States, our product is primarily sold through major retailers. In Latin America, it goes through small distributors or dealers, and they asked us to give them a secondary form of authentication that they could display to validate themselves as genuine reputable dealers essentially an overt badge of authenticity."

Finding a Solution

When sales deviated negatively from historical patterns, Epson knew that it had to find real solutions to its Latin American counterfeiting problem. Although the company has an internal team dedicated to the issue, it sought outside expertise to help evaluate and assess options. When interviewing different technology vendors, Epson encouraged them to be creative in their presentations. It wanted to see security features available in a particular size based on the packaging, a variety of options for the area predetermined for the security feature, and a targeted price range. After extensive research and interviewing, Epson decided on the DuPont Izon Photopolymer hologram. "It was selected based on a combination of ease of overt verification, perceived security, cost, and automatic application," says Kreps. This security feature appears on all ink, ribbons, and laser consumables sold in the Latin America market.

Putting It to the Test

Once the new technology was in place, it was time to roll it out to distributors, retailers, law enforcement officials, consumers, and other key groups. The focus was first and foremost to

inform law enforcement about the new identifier; then, retailers and distributors. Epson provided these groups with huge blowups of the label to put in their windows, fliers, and started a contest called Epson Stars to encourage the sale of legitimate goods. “It was probably one of the largest marketing undertakings that we’ve done in Latin America for something that was nonproduct,” says Kreps. “To make your customers understand the significance of the problem and why it’s in their best interests to buy legitimate goods, you really have to view them as partners in the war on counterfeiting.”

As a result of introducing the technology and by partnering with local players, Epson saw increased sales and a decreased market share of illicit products. “The return on investment on the technology has more than paid off in terms of recovery and growth of legitimate sales,” adds Kreps. This effort is, of course, not the only or the last one that Epson will take to protect its products. The company continues to maintain an extensive program in Latin America and elsewhere to detect counterfeits and take enforcement action when necessary.

Moving Forward

Counterfeiters continue to find quicker and more advanced ways to copy products like Epson’s. So the battle both on the technology front and in other areas endures. Approximately every other year, Epson educates its sales force on updated authentication. By contract, all distributors, retailers, and dealers are obligated to purchase only Epson products directly from Epson. This limits “global purchasing” where we know counterfeits commingle with genuine products. Epson Latin America also works with law enforcement to conduct store surveys and service center checks, where the entire inventory is checked to ensure that there are no counterfeits.

To the extent that technology is concerned, Epson will continue to stay at the top of its anti-counterfeiting game by layering security features. Kreps says that six or seven years ago, you could go to a technology company looking for a solution, and they would deliver one option. Today,

you need to have several options so that if one is compromised you can immediately move on to the next one. To keep current with the trends, Epson frequently meets with security vendors and attends conferences to learn what is available and its potential effectiveness for Epson’s products. When it’s time for an update, the company will likely go to an outside expert once again to assess options. “Overall,” says Kreps, “we really think the initial decision to put an authentication feature on our products has been an excellent one.”



Johnson & Johnson & Co., Inc.

Johnson & Johnson (J&J) is the world's most comprehensive and broad-based manufacturer of health care products and related services for the consumer, pharmaceutical, and medical devices and diagnostics markets. More than 250 Johnson & Johnson operating companies employ approximately 121,000 people in 57 countries and sell products throughout the world. The fundamental objective of Johnson & Johnson is to provide scientifically sound, high-quality products and services.

For Johnson & Johnson, protecting its products from counterfeiting is a top priority—but not its first. As David Howard, director, Product Protection, Global Brand Integrity says, “We have a single focus; it’s called our company credo. It maintains that our first priority is the men and women, the patients, and the doctors. The entire brand integrity effort is built around reassuring and protecting the source of supply of goods to users and consumers.” So J&J’s focus becomes how it can accomplish this goal through product development, packaging, sourcing, and distribution networks.

The Johnson & Johnson Team

J&J has three market segments: consumer, medical device and diagnostics, and medicines and nutritionals. Within these market segments are team members and organizations dedicated to brand integrity activities. For example, the medical device and diagnostics team, led by a vice president of brand integrity, includes dedicated individuals focusing on product and packaging protection technologies; a person who handles supply chain integrity and channel management; and an employee dedicated to market monitoring and enforcement. The Johnson & Johnson team also has representatives from each of the corporate entities—legal, regulatory affairs, communications, corporate security, and trademarks. The diversity of talent and background leverages each team’s ability to develop a successful brand integrity operation, including anti-counterfeiting strategies.

Risk Liability

Authentication and tracking technology for J&J are a means to an end. They are part of a comprehensive effort to protect its customers from dangerous and defective counterfeit products. To effectively decide how to best protect a product, J&J developed an assessment tool that asks 35 questions specific to that product, focusing on the potential risk of counterfeiting. Based on the assessment, the product is then processed through a scoring system that awards points for the number of covert protection features. “The goal is to develop overt and covert features that best meet the needs of the individual product at risk,” says Howard. “The scoring of authentication features considers form factor of the item being protected as well as product and packaging dynamics. The closer you can get product protection features to the product, the easier it is to authenticate.” This system is available to all J&J’s operating companies to analyze risk potential

at the early stages of research and development and marketed products to build risk deterrents into each product and its packaging.

Product Protection

With more than 250 operating companies, the counterfeiting teams collaborate on the importance of implementing protection at the research and development stage and take multiple steps to protect their brands. Layering technologies is one of the primary tactics J&J uses to safeguard its products. Both overt and covert technologies are used to mark a legitimate product. Howard explains, “I’m going to pick a pharmaceutical bottle as an example. We may have overt and covert features integrated into a label for the bottle. We may have overt and covert features in the introduction seal of the bottle itself or in the cap. A single layer simply doesn’t offer the protection we believe is necessary. We also don’t use the same protection at each layer. Mixing technologies such as molecular markers, color-shifting ink, and even font shifts or changes in graphics provides for a much more robust line of defense.”

When looking for a technology supplier, Johnson & Johnson’s first concern stems from its credo. The company wants to ensure that as it works hard to protect consumers and products, its affiliates are good to their people, the environment, and have a concern for consumer protection. Beyond that, Howard says, “With the brand integrity elements, we want to make sure that suppliers have a strong knowledge base. We also want to make sure that they have the ability to supply to people who hold even higher security levels than we may think of, such as companies that produce bank notes and secure papers. Those are the types of suppliers that understand the importance and the nature of maintaining confidentiality in their secure products.”

The Rollout

J&J is in the process of developing a technology rollout and education plan that will be standard

operating procedure for all its operating companies. This plan will be based on current successful efforts put into place by the monitoring and enforcement person in each of the three market sectors. It includes educating groups in the field—doctors, nurses, law enforcement officials, customs officials, distributors, supply chain partners, security groups, and other parties that handle J&J’s products.

Measuring the benefits of authentication technology and brand protection tactics is easier said than done. According to Howard, “It’s very difficult from our perspective to accurately gauge how big a counterfeiting or diversion problem is across a company the size of J&J.” Ultimately, however, measuring performance based on anything other than protecting the patient doesn’t really have a payback.

The Road Ahead

Moving forward, Johnson & Johnson will continue to evaluate and reconfigure its technologies to stay ahead of the counterfeiters. Howard says, “We try to make people aware that if they have a technology that could have an application in our industry we will give them an opportunity to educate us.” J&J also tries to introduce nonassociated companies, whose technologies may benefit from one another. This further promotes combining tactics for ultimate protection. Howard concludes, “You have to immerse yourself in this issue. You have got to get in and be willing to work and listen to make it really happen.”



Merck & Co., Inc.

Established in 1891, Merck & Co., Inc. (Merck) is one of the world's leading pharmaceutical companies. Its mission is to discover, develop, manufacture, and market vaccines and medicines to address unmet medical needs. Merck is headquartered in Whitehouse Station, New Jersey.

Counterfeiting and piracy mean different things to different companies and industries. But to Merck, these transgressions are particularly egregious because they threaten public health. Dangers associated with phony products are obvious—particularly since estimates put counterfeits at more than 10% of all drugs sold worldwide.¹ However, authentic pharmaceutical products that have been diverted from authorized supply chains can also become unreliable or unsafe. Such items may have been stored at temperatures that compromise their effectiveness, are marketed past their expiration dates, or have been repackaged in ways that compromise sterility or misrepresent their purpose or dosage.

Naturally, counterfeiting and piracy have the potential to undermine the pharmaceutical industry's profitability and market integrity. But the priority of every pharmaceutical entity, including Merck, is to eliminate the dangers that illegitimate products pose to the health of consumers.

What makes this task so challenging is that bogus pharmaceuticals can reach consumers in myriad ways. Stolen or counterfeit items are sold on the black market—direct to consumers on the street corner or through unscrupulous retailers. And bogus Internet pharmacies—as slick and professional as those of a Fortune 500 company—are a fact of 21st century life. Outside the United States, it is also common for expired products that intermediaries should have destroyed to turn up at bazaars and flea markets.

Illegitimate products can reach the consumer via the legitimate supply chain as well. Ted Fahy, Merck's Latin America regional director of global security, explains that distributors, on occasion, purchase products from secondary wholesalers. And those wholesalers have been known to acquire, and pass on, stolen, fake, or diverted products. In effect, purchasing products outside the intended channel of trade inadvertently can expose the legitimate supply chain to unauthorized (stolen or fake) products.

Tackling the Problem

Because the problem is so diverse and its consequences so severe, Merck has developed an aggressive, holistic approach that combines legal and law enforcement resources; technology innovations; business alliances; collaboration with government agencies; quality management initiatives; educational programs with distributors, retailers, and consumers; and numerous levels of physical supply chain security.

1 Source: World Health Organization Fact Sheet #275 "Counterfeit Medicines," February 2006.

In recent years, the Anti-Counterfeiting Technology Team—made up of representatives from several Merck divisions and functions—reviewed and analyzed available technologies for manufacturing and packaging pharmaceuticals. These efforts have helped Merck:

- Develop better methods of designing and packaging pharmaceuticals.
- Create new ways to recognize counterfeits. Identify how and even where fake products and packages are being made.
- Understand the consumer health impacts associated with illegitimate products
- Formulate a consistent process for identifying and reporting supply chain breaches and instances of bogus products.

The Anti-Counterfeiting Technology Team also helped Merck develop plans and policies for improving quality management, formulating legal strategies, securing its manufacturing and supply chain processes, and enhancing consumer- and physician-education efforts. Since new products, new policies, and new criminals arise constantly, it's critical that intervention is equally rapid.

Recognizing the need for a harmonized approach that includes the effective use of technology, Merck is working with government agencies and industry organizations to support the development of a standardized, risk-based system to uniquely identify or code medical products in order to create a more secure supply chain. To advance the use of serialization technologies, Merck has initiated pilot projects to demonstrate the use of Radio Frequency Identification (RFID) and two-dimensional (2D) data matrix bar code technology, both of which have the potential to help facilitate the detection of counterfeit medical products.

“Classic” supply chain improvements also play a big part in Merck’s efforts to remediate counterfeiting and piracy. For example, consistent, documented distribution, labeling, and packaging approaches help distributors, retailers, and consumers quickly recognize legitimate Merck products and discern that those products are in their proper and original packaging. Another cornerstone is excep-

tional supply chain visibility—understanding where the shipment is going, ensuring integrity, confirming how it is getting there, and determining when receipt notifications are expected. Key to all these objectives is embracing new technologies and developing excellent working relationships with each supply chain partner—from the suppliers of packaging and manufacturing machinery to distributors, retailers, and customers.

Merck is also committed to working with a wide array of stakeholder organizations to educate the public about the risks of counterfeit drugs and how to protect against them. This effort includes encouraging consumers to obtain prescription medicines from a reputable, licensed pharmacy, health care providers licensed to distribute medical products, or other authorized outlets.

Looking Ahead

Because the pharmaceuticals business will always be attractive to lawbreakers, there will never be a time when remediation efforts can fully relax. But despite the problem’s permanence, Merck executives are pleased with their efforts to date and with the commitment shown by supply chain partners and governments. On one level, for example, Ted Fahy is confident that the FDA “gets it”—that the agency understands the problem and is fully committed to working with private industry. Merck is also encouraged by the growing awareness of the issue among legislators at the state and federal levels. In particular, Merck is supporting comprehensive legislation in Congress to provide additional protections against counterfeiting. The Safeguarding America’s Pharmaceuticals Act would create a new national drug pedigree standard, implement a track and trace system, and provide stronger enforcement mechanisms. Legislative and regulatory activity to address the problem is also being considered in the European Union and other key markets, and Merck is working with its partners in those locations to promote the adoption of strong and workable solutions.

Counterfeiting and piracy of pharmaceuticals—like crime in general—will always be with us. But with so much at stake, Merck is determined to stay ahead of the curve.

Microsoft® Microsoft

Microsoft is the world's largest software company, with nearly 90,000 employees in more than 100 countries and annual revenues exceeding \$60 billion. The company develops a variety of products and services, including the popular Microsoft Windows operating system and the Microsoft Office suite of business software applications. The company's global success, however, has attracted the attention of international criminals seeking to capitalize on the popularity of the company's products. Software piracy costs the global economy billions of dollars each year, undermines innovation and local economic growth, and poses serious risks to Microsoft's customers and partners worldwide.

So how does the software giant tackle the complex issues posed by software counterfeiting and piracy? "Our global anti-piracy strategy is designed to protect our customers and partners around the world from the threat of software piracy through our Genuine Software Initiative. This initiative is based on three E's—engineering, education, and enforcement," says David Finn, associate general counsel for Worldwide Anti-Piracy and Anti-Counterfeiting. "We engineer products to make them difficult to counterfeit and pirate, educate our customers and partners about counterfeiting and piracy, and take balanced civil and criminal enforcement action to shut down the pirates."

ENGINEERING

On the engineering front, Microsoft has made significant investments in world-class security features and technologies. One example of this is Microsoft's product activation technology, which is designed to limit illegal copying of software and provides customers with their own unique key for support and services. "We know we can't do this by ourselves, so we've teamed up with pioneers in disk and print security," says Finn. Those pioneers include companies like Technicolor, which produces Microsoft CDs and DVDs using highly proprietary embedded holographic disk technology that makes the disks extremely difficult to successfully counterfeit. Microsoft also works closely with international secure print manufacturers that supply Microsoft with the latest security technologies for its paper software licenses, certificate of authenticity labels, and other packaging. As Finn points out, "These technological advances, along with improved education and awareness-building efforts, make it easier for our consumers to spot a fake."

Microsoft's experience shows that consumers have a major stake in doing their part to purchase and use genuine Microsoft software. Nightmarish stories abound about people who bought pirated software just to save a few dollars and then ended up paying an even bigger price down the road. "Pirated software can contain unknown security vulnerabilities or simply not work at all," Finn explains. "Some counterfeit software has even been found to contain viruses, Trojans,

and other Malware that may compromise a user's system which, in turn, could result in the loss or compromise of a user's private data."

EDUCATION

Microsoft also provides its customers and distribution partners with resources to help them determine if the software is genuine. Microsoft's Web Site, at www.microsoft.com/genuine, provides customers with a wealth of information about how to spot fakes. Customers and partners can also report piracy to Microsoft by accessing the Web at www.microsoft.com/piracy/reporting, e-mailing Microsoft at piracy@microsoft.com, or calling the Microsoft hotline at 800-RULEGIT (785-2448). Customer and partners' leads are among the best ways for Microsoft to learn about piracy and take measures to shut it down.

ENFORCEMENT

Microsoft's global anti-piracy enforcement strategy is built on strong partnerships with national and local governments around the world. To support this strategy, Microsoft has formed a global anti-piracy team that includes former police officers, agents, and prosecutors; intellectual property attorneys and specialists; intelligence analysts; paralegals; and forensic experts. This international team, which tracks and pursues software pirates in more than 150 countries around the world, works closely with law enforcement on prosecuting top tier software pirates. Along with other intellectual property companies and industry associations, the team also collaborates with legislators and policymakers on enacting and implementing laws and polices around the protection of intellectual property.

In 2007, Microsoft worked with law enforcement authorities to bring a high-profile prosecution against a criminal syndicate believed to be the largest software counterfeiting organization in history. This syndicate, based in southern China, was responsible for producing counterfeit Microsoft software in 11 different languages and distributing it in at least 36 countries. Microsoft

estimates that the syndicate distributed more than \$2 billion worth of counterfeit software to unsuspecting customers around the world over a five-year period. As a result of unprecedented international cooperation between Microsoft and U.S. and Chinese law enforcement officials, the syndicate was raided in July 2007 at a dozen different locations, and 25 individuals were arrested and are now awaiting prosecution. "Microsoft is extremely appreciative of the efforts of the U.S. and Chinese governments, especially the U.S. FBI and the Public Security Bureau in China, which worked so diligently to pursue this syndicate," says Finn.

As software piracy becomes increasingly sophisticated, Microsoft is fighting back, applying technological innovation to the forensics of tracking down the source of counterfeit software. Microsoft has its own forensic lab, not unlike the one on the popular TV series CSI. Located in Ireland, the lab has the capability to distinguish unique marks found on counterfeit disks and can identify an "electronic fingerprint" for each disk. These fingerprints enable Microsoft to trace counterfeits back to the source of production and, in some cases, determine how many disks were produced by the source.

Despite having the latest technologies and investigative methods at its fingertips, and the relentless efforts of a worldwide team to pursue software pirates, Microsoft's key to success in its anti-piracy efforts remains highly dependent on strong partnerships. "There is no way we could do this on our own, no way" says Finn. "The partnerships with law enforcement and government officials around the world have been absolutely critical to the successes we have had in combating this multibillion dollar problem. We also deeply value the support of our partners and customers who assist us with leads and tips to the hotline and through the Genuine Software Initiative. While there is still much progress to be made, we believe that by working together, we can make significant gains against the threat of global piracy."



National Basketball Association

Since it made its Olympic debut at the Berlin Summer Games in 1936, basketball has long been considered an international sport. But it wasn't until America's Dream Team stepped on the world stage at the 1992 Barcelona Olympics that the National Basketball Association (NBA) became a truly global brand. Whereas the league's ambassadors at that time were American-born superstars like Michael Jordan, Larry Bird, and Magic Johnson, today's NBA rosters are filled with international stars like France's Tony Parker, Argentina's Manu Ginobili, and China's Yao Ming. With this growing international presence, demand has surged for NBA products like jerseys and posters.

When it comes to guarding its brand, the NBA works tirelessly to protect its famous player silhouette logo, as well as a host of other brands including its affiliated women's league, the WNBA; the NBA D-League; USA Basketball; and the 60 teams currently playing in these leagues. All together, the NBA's portfolio includes more than 35,000 trademarks in more than 200 countries, including team names, primary and secondary logos, tag lines, and even mascots.

The NBA works with local, state, federal, and international law enforcement agencies to share information, improve public-private sector coordination, and, ultimately, thwart counterfeiters.

With all these elements to monitor, the NBA has tasked Ayala Deutsch with the responsibility of protecting the league's brand from counterfeiting and piracy on a global level. Working out of the NBA's New York City headquarters as senior vice president and chief intellectual property counsel, Deutsch sums up the top three priorities for her team as fighting "the counterfeiting of hard goods, content piracy, and brand theft."

To protect against hard goods counterfeiting, the NBA focuses on popular NBA merchandise such as T-shirts, jerseys, basketballs, and caps. To this end, the NBA works with local, state, federal, and international law enforcement agencies to share information, improve public-private sector coordination, and, ultimately, thwart counterfeiters. As counterfeiters become more sophisticated, Deutsch and her team always try to stay one step ahead through creative and nontraditional approaches. For instance, Deutsch points out that the NBA participates in a task force in New York City that, "with the help of the NYPD, has succeeded in having fines and other penalties imposed on landlords who repeatedly rent their buildings to counterfeiters." This was accomplished by brand owners and law enforcement working closely with city officials, who found building code violations at the buildings that harbored criminal IP networks.

Technology also plays a prominent role in the NBA's overall strategy to ensure that its fans are buying authentic and high-quality merchandise. For more than a decade, the NBA has used holograms on its products to help law enforcement and consumers distinguish between fake and legitimate products, providing a big boost to the league's anti-counterfeiting efforts. Holograms had an unexpected positive effect in terms of fashion as fans began wearing their NBA gear with the hologram and tags still attached. Somehow, the NBA managed to make fighting counterfeiting trendy.

The second IP challenge for Deutsch and her team is the piracy of its games, game highlights, and other copyrighted content. With such a large global viewing audience, NBA games and other programming are in high demand, making them a prime target for content pirates. Recognizing that the NBA is only one in a long line of targets on this front, the league has joined forces with other industries and organizations that have extensive experience in wrestling with this problem. "We're observing and learning from how other industries like the Motion Picture Association of America respond to content piracy" says Deutsch. Like other content owners, the NBA is testing out and developing new technologies, such as video fingerprinting, to address this problem.

In addition to protecting its hard goods and content, the NBA is concerned with brand theft, which includes the use of its brand for unauthorized promotional or advertising activities. As a brand that is beloved and recognized around the world, the NBA attracts numerous companies seeking to link their own brands with the NBA brand in an attempt to benefit from the value of the world's premier basketball league.

While many well-known companies pay millions of dollars in sponsorship deals for the right to call themselves official partners of the NBA in a particular category such as sports drinks or automobiles, many more companies seek to associate themselves with the

NBA as official sponsors by engaging in ambush marketing. Ambush marketing is the attempt to obtain the benefits of association with an established or popular sporting brand or event without authorization or payment of a licensing or sponsorship fee. Ambush marketing tactics include advertisements featuring a notable athlete affiliated with the sports brand, promotions giving away game tickets as a prize, and clever ad campaigns that suggest sponsorship, all designed to convince consumers that a particular company is an official NBA sponsor when no sponsorship relationship exists. For the NBA, combating this problem—particularly during premiere events such as the NBA All-Star Game and The Finals—requires vigilance to ensure that the investment of the NBA's true sponsors is protected.

In the sporting world, basketball is not alone in its brand protection efforts. Therefore, the NBA has joined forces with other industry organizations and other rights holders. The most notable of these efforts came in 1992 when the NBA teamed up with the National Football League (NFL), the National Hockey League (NHL), Major League Baseball (MLB), and the Collegiate Licensing Company (CLC) to form the Coalition to Advance the Protection of Sports Logos (CAPS), which pools resources and facilitates information sharing on this common challenge. Along with the other CAPS members, the NBA also seeks to educate consumers about counterfeiting—especially during NBA All-Star weekend and other similar events—by providing information to fans so that they can make sure they are purchasing authentic merchandise.

Above all, Deutsch points out that the central principle guiding the NBA's anti-counterfeiting and piracy strategy is a refusal to be complacent. "We revisit our brand protection strategy regularly and constantly update it based on the geographic markets we're entering, trends in the marketplace, advanced technology that becomes available, and other new information," she says. "You can't have a one-solution strategy. We have more than one arrow in our quiver."



NBC Universal

In the early 20th century, the emergence of both television and motion pictures created a highly influential new form of entertainment for audiences in America and around the world. In recent decades, technological advances in this industry have revolutionized the way consumers enjoy this form of entertainment. From the VCR of the 1970s to the DVD of the 1990s to the latest Blu-Ray HD-DVD, new video technology has made it easier for millions to enjoy movies, TV shows, and other content from the comfort of their own homes.

Similarly, new developments in digital content technology, combined with globalization and the Internet, have made computers portals for entertainment just a mouse click away and have broadened the reach of America's culture. Today, entertainment-based intellectual property is quite literally America's most valuable export sector. Movies, music, and books are at the heart of American culture. American actors, artists, and writers serve as our nation's cultural ambassadors as their work is seen, heard, and read worldwide every day.

While millions across the world enjoy legitimate Internet offerings of entertainment content, the rise of technology has also brought about one of the greatest challenges facing content companies like NBC Universal—namely, digital theft, sometimes referred to as piracy. According to a 2006 study done for the Institute for Policy Innovation, each year the U.S. economy loses more than \$20 billion in output from movie piracy alone, which translates into more than 140,000 lost jobs for U.S. workers and more than \$837 million in lost taxes to federal, state, and local governments.

NBC Universal's (NBCU) General Counsel Rick Cotton emphasized the scale of the corrosive effects: "Digital theft is one of the greatest challenges facing the motion picture and television industry today. When a copyrighted work loses revenues to piracy, that money is not available to reinvest into more production work. This loss not only affects the company and its workers who would have contributed to or benefited from these unmade productions. It also reduces the revenue of the upstream suppliers to movie producers. This includes set construction and location rentals, the truckers that move the equipment, and restaurants, caterers, and hotels that provide housing and meals to the hundreds of crew members working on location. Downstream industries, like movie theaters, DVD retailers, and video rentals are also affected."

NBCU's strategy to reduce digital theft recognizes that progress depends on cooperative action from three sources. First, NBCU and the industry are embracing digital technology to provide consumers with legitimate sources for high-quality content with ease and convenience. Second, infrastructure distribution companies must work with content companies to put into place business practices and technology tools that prevent counterfeiters and digital thieves from hijacking distribution capabilities in order to put illegitimate products into the stream of commerce. Third, enhanced, specialized, and dedicated law enforcement resources must

be brought to bear on the problem. Counterfeiters and digital thieves now operate globally on an organized basis. They are not the cottage industry of 20 years ago. The head of the World Customs Organization has called this tidal wave of global counterfeiting “a second industrial revolution.” Brand owners and content companies need an aggressive enforcement apparatus that is commensurate with the explosive growth of organized crime dedicated to counterfeiting enterprise.

A recent successful example of this three-part approach to Internet digital theft occurred during the Beijing Olympics, for which NBCU had the exclusive broadcast and Internet rights in the United States. Prior to the games, various pundits had predicted failure for NBCU in light of the time difference between Beijing and the United States and the danger of unauthorized Internet streaming of the games—a particularly grave risk given the recent growth of Internet piracy on Chinese Web sites.

NBCU’s strategy was first to make an unprecedented amount of Olympic coverage available on legitimate platforms—a total of 3,600 hours on various NBCU television networks and on the Web site NBCOlympics.com. Then, NBCU and the International Olympic Committee worked with the key distribution video-sharing Web sites to deploy two types of technology-based anti-theft capabilities: (1) technology-based content recognition software to prevent uploads of unauthorized Olympic content and (2) tools that enabled NBCU and the IOC to immediately remove infringing content that managed to get through the content recognition software. Finally, in response to concerns over piracy on Chinese sites, the Chinese government provided key cooperation and formed a task force to reduce or eliminate Internet infringements of the Olympics on Chinese video-sharing Web sites during the games.

The result confounded the naysayers, as the Beijing Olympics became the most-viewed television event in U.S. history, with more than 214 million viewers on NBCU’s networks. Moreover, NBCOlympics.com was

visited by more than 52 million unique users who logged more than 1.24 billion page views and viewed more than 10 million hours of streaming Olympic video. NBCU estimates that only 1% of online viewing of Olympic video in the United States took place on infringing sites.

From NBCU standpoint, the success story of the Olympics confirms the three-part template for success in combating digital theft: (1) the development of legitimate alternatives to piracy; (2) content recognition blocking technology and automated takedowns of infringing content by the Web sites; and (3) cooperation from government.

NBCU’s Olympic content protection effort was headed by a combined legal-technology team, with NBCU lawyer Steve Kang heading the legal side and NBCU technologist Joe Cates heading the tech side. “Once the NBCU Sports and Olympics programmers provided such an exceptional source of legitimate content, we could work with the video-sharing sites to insert video fingerprints of Olympic video into their content recognition software on a real-time basis to block infringing uploads. The results were very positive,” said Cates. Kang’s work with representatives of the IOC and the Chinese government completed the picture. “The effective efforts of the Chinese government to prevent infringing Olympic video from appearing on Chinese video-sharing sites were key to our success,” said Kang. “We know that technology tools work to minimize infringing content on video-sharing Web sites. The issue and the challenge were to get major Web sites around the world to implement effective technological solutions. Our Olympic experience demonstrates that this can be done with cooperation from Web site operators and the support of government enforcement efforts.”



New Balance

Headquartered in Boston, Massachusetts, New Balance is one of the world's most well-known and respected manufacturers of performance footwear and athletic apparel. The company employs more than 2,600 people around the globe and in 2005 reported worldwide sales of \$1.54 billion.

New Balance's success is closely tied to the integrity and visibility of its brand. This is true of most footwear and apparel companies: quality and fit make up the value proposition, but marketing, image, and identifiability often make the sale. This is why trademark infringement is a concern to companies like New Balance. According to Ed Haddad, vice president for intellectual property and licensed products at New Balance, footwear counterfeiters aren't just making a fake product; they're diluting the brand, damaging the company's reputation, and undermining the worldwide salability of the product.

Most of New Balance's products are manufactured along the Pacific Rim, specifically in China and Vietnam. These are also the largest black markets for counterfeit footwear, as well as the places where assistance from local and national authorities is least forthcoming. In addition, Far-East production makes it harder to monitor the flow of raw materials and to ensure the conduct of the company's contract manufacturing facilities. In the late 1990s, for example, New Balance severed relations with a Pacific Rim manufacturer but subsequently discovered that the company was continuing to make and ship now-illegal products. This behavior is a real problem; however, fly-by-night factories and unreliable supply chain partners are the biggest challenge.

Interestingly, many overseas consumers of counterfeit footwear know they are not purchasing the real thing. For them, value is tied to the image, not to the quality. For a fraction of the retail price, they're happy to obtain the former and sacrifice the latter. This further complicates a company's efforts to control counterfeiting, since awareness building at the consumer level is difficult and not always productive. Also, foreign patent and trademark offices are often lax about permitting the registration of nearly identical logos. The net effect is that even well-intended consumers can become black market buyers.

Counterfeiting clearly costs New Balance money and market share. However, the damage in this context is relatively small since consumers of illegitimate products do not markedly reduce the pool of legitimate buyers. Legitimate buyers also covet the brand; but quality and fit—only available with the genuine article—are usually too important to settle for a knock-off. The real danger is erosion of brand impact—confusing and alienating consumers and retailers who can no longer tell what is real and what isn't. Over time, of course, these problems become more income and share-related.

Responses That Fit

So how is New Balance responding to these threats? To keep fakes out of the U.S. (the company's largest market), it emphasizes "going to the source." A full-time team of investigators constantly monitors Pacific Rim regions known for counterfeit shoemaking and regularly conducts raids on factories and distributors. Once products reach the open market, it's often too late.

New Balance also recognizes the importance of proactively managing its supply chain—monitoring the flow of materials as well as the conduct of finished goods production. Strong material controls, carefully worded trademark authorizations, and highly detailed, unambiguous contracts, purchase orders, and license agreements are key. New Balance also supplies its factories with difficult-to-copy labels with an embedded code. Because labels must be attached to every shoe, this is an effective way to control production integrity and spot fakes or unauthorized overruns. In the near future, New Balance may also assign a unique number to every item—making it possible to determine where and when every article was made. Efforts like these help create a strong legal foundation—critical in a country like China, where the system is not overly inclined to back you up.

This two-part strategy has been quite successful. Comparatively few counterfeit items have made it into the U.S. and counterfeiting activity has receded somewhat, because black market producers seem less inclined to copy the products of companies that are constantly breathing down their necks.

Nevertheless, New Balance executives know that the problem won't go away. Like most counterfeiting enterprises, it is simply too lucrative. One solution, therefore, is to put constant pressure on the sources of manufacturing and supply and make diligent efforts to protect key markets from contamination. This requires buy-in and support from the top of the organization. Dollars and resources must be made available. Tight, respectful relationships with legitimate factories are also

essential. As Ed Haddad says, "The better they know you, the less likely it is that they will steal from you."

Another important step to brand protection is comprehensive documentation. Supply agreements, for example, need to address issues relating to order quantities, payment terms, delivery requirements, quality inspections and standards, liability, pricing, currency specifications, cost fluctuations, seconds, subcontractors, raw material suppliers, conditions warranting termination of the relationship, inspection parameters, and audits. Trademark usage—e.g., authorizing the use of logos or protected copy by suppliers and customers—is another area that is frequently underdocumented, as are codes of conduct or compliance. The latter could include human rights, working conditions, and environmental issues such as the use of hazardous chemicals.

Finally, it's critical that companies work to develop local relationships and understand how local systems work. Without these efforts, any attempt to "leverage the system" will likely be ineffective. New Balance is proud that consumers covet the brand. And its leaders are confident that—as more and more consumers come to recognize the importance of quality and fit—counterfeiting will begin to abate.



Purdue Pharma LP

Purdue Pharma LP is a privately held pharmaceutical company that was founded in 1892 by a small group of physicians. Now headquartered in Stamford, Connecticut, the company researches, develops, produces, sells, and licenses prescription and over-the-counter products, including pain medications, antiseptics, laxatives, and dietary supplements.

Like most pharmaceutical companies, Purdue Pharma is concerned with counterfeiters (producers of fake products) and black marketers, pilferers, smugglers, and unauthorized sellers of legally produced products. And like all pharmaceutical companies, Purdue is most concerned with the safety of end users—individuals who inadvertently or intentionally consume a fake or illegally acquired medication. No scenario other than the intended, prescribed, and properly administered use of its products is acceptable to Purdue.

According to Aaron Graham, Purdue's vice president and chief security officer, counterfeiting is more widespread than most people know. Even the numbers put forth by well-meaning entities such as trade associations, law enforcement, and other non-governmental organizations have been inaccurate at best and factually at worst. The simple reality is that in pharmaceuticals the problem is impossible to quantify. And it's not just about counterfeiting, diverting, diluting, or commingling (mixing legitimate and illegitimate) controlled substances such as pain medications. According to Graham, some of the most frequently stolen or smuggled items are razor blades, laxatives, and diabetic and pregnancy-test strips.

Approaching the Problem From All Angles

Purdue Pharma's response is both patently logical and highly innovative: developing, perfecting, and combining as many viable security-maximization approaches as possible. This "multilayered approach to a multilayered problem" involves technology and human resource solutions enacted from the beginning of the production line to retail purchase by the end customer. Consider the production plant, which most entities believe is the most common setting for diversion or piracy. Recognizing this, Purdue Pharma requires that employees who enter the plant must (1) be in the company's database (2) show an ID card, and (3) present a fingerprint that matches what the company has on file to enter the most secure areas in the facility. This is a multilayered solution in and of itself: Just one level—e.g., surreptitiously acquiring an ID card—won't allow a miscreant to gain access.

Outside the plant, Purdue uses armored vehicles equipped with global positioning systems (GPSs) and cellular technology to track movement and to zero in quickly should a hijacking occur. Purdue's carriers also are paired with external surveillance vehicles watching for potential threats who may try to "loop in" behind the deliverer. Purdue even deploys counter surveillance teams who monitor potential collusion between delivery vehicles and the first-tier surveillance units. This, too, is a successful example of redundant, multilayered security.

Product authentication and track & trace are equally important elements of Purdue's strategy. In fact, Purdue Pharma was the first company in America to deploy a fully integrated radio frequency identification (RFID) solution that combines track & trace and anti-counterfeiting capabilities. As a result, Purdue knows exactly when a product has left the facility, its destination, the route over which it travels, when it is scheduled to arrive, when it actually arrives, and whether the contents verified upon departure match the contents validated upon arrival.

Another technology layer is redundant anti-counterfeiting features built into products and packaging, including special labels with color shifting (aka color diffracting) inks. Like some of the federal government's newer currencies and passports, ink on the packages of key Purdue products changes color when viewed from different angles—an extremely tough and expensive feature for counterfeiters to reproduce. This is a key innovation because, for black marketers seeking to introduce a fake product into the legitimate supply chain, it's critical for the package to look as (or more) authentic than the original product.

Collaboration represents yet another layer. Not surprisingly, Purdue works closely with retailers, distributors, and other pharmaceutical companies to share information, monitor shipments, and confirm contents. The company also is a member of the Pharmaceutical Security Institute (PSI), which, according to PSI's Web site (www.psi-inc.org), is "dedicated to protecting the public health, sharing information on the counterfeiting of pharmaceuticals, and initiating enforcement actions through the appropriate authorities." Another collaborative tier is www.rxpatrol.org, which was founded by Purdue in 2003. This is an online pharmacy-theft clearinghouse that collects, collates, and analyzes information on all products stolen from pharmacies across the country. Rxpatrol.org has become an invaluable resource for law enforcement agencies seeking to devise patterns, trends, and tactics associated with pharmacy-related crimes.

Perspectives on Success

Aaron Graham worked for the U.S. Food and Drug Administration and the U.S. Drug Enforcement Administration and has spoken around the world about drug enforcement. This extensive experience has made him both optimistic, yet cautious, about dealing with pharmaceutical contraband. On the downside, he knows that despite worldwide enforcement, the underworld's massive resources make it all but impossible to totally stem the tide. Moreover, smugglers' existing distribution channels work just as well for counterfeit or diverted pills, tablets, or liquids as they do for cocaine, heroin, or marijuana. Graham also knows that there aren't enough public and private partnerships and that efforts to grow these collaborations are hampered because actual interdictions don't reflect the magnitude of the problem. Put another way, Purdue and governmental authorities can only gauge the problem's size based on the illegitimate shipments they seize. How much gets through is anyone's guess.

But it's also not hard for Graham to see bright spots. Principal among these is that Purdue Pharma's security strategy—multilayered approaches, technology innovations, and extensive collaboration—is making a difference. When it comes to protecting legitimate users who purchase legitimate products at legitimate venues, the company's efforts are making it safer than ever. Unsafe as ever are the illegitimate consumers—the overconfident or unwary buyers of supposedly legitimate products on the street or over the Internet. For them, it's caveat emptor because, as Graham says, "We can't protect you from yourself."



True Religion Brand Jeans®

TTrue Religion Brand Jeans® (True Religion) is owned and operated by Guru Denim, Inc., a wholly owned subsidiary of True Religion Apparel, Inc., which is a public corporation trading on the NASDAQ exchange. Based in Los Angeles, True Religion began in the summer of 2002, with the goal of taking denim in a new direction. The company makes and sells premium denim products for men, women, and children in more than 50 countries around the world. Its line consists of pants, skirts, shorts, jackets, T-shirts, and all products in between.

If being copied is one way to gauge the success of apparel and luxury brands, then True Religion is a tremendous success. However, one form of imitation that does not flatter True Religion is the counterfeiting of its products. The company has been combating counterfeiters almost since its inception.

“Counterfeiting is a problem that affects premium and luxury items. We are a highly sought brand and, as such, we know that we have to fight counterfeiters,” says Deborah Greaves, secretary and general counsel at True Religion. Greaves’ team uses multiple anti-counterfeiting “weapons” and measures to combat counterfeiting and ensure that only authentic True Religion jeans reach mainstream commerce. Among other approaches, True Religion uses high-tech tags, raises awareness through anti-counterfeiting kits, and vigorously prosecutes violators.

“These criminals know what they’re doing. They attend industry trade shows looking for the next hot brand so that they can exploit trademark laws around the world for their benefit.”

Deborah Greaves,
Secretary & General Counsel

True Religion’s fight with counterfeiters began early. “These criminals know what they’re doing. They attend industry trade shows looking for the next hot brand so that they can exploit trademark laws around the world for their benefit,” says Greaves. She goes on to explain that because of the first-to-file patent systems outside the U.S. and the difficulty of proving the fame of the mark of a fledgling brand at the time a pirate application is filed, legitimate trademark holders need to be proactive about filing their trademarks abroad as a preemptive strike against counterfeiters.

Working in Los Angeles, the epicenter for high-end denim brands, Greaves has been involved with the fight against counterfeiters throughout her career. The reason for this fight is simple. “Issues of counterfeiting come up in all types of products because consumers either can’t distinguish between legitimates and fakes, or because they simply don’t care about the impact that buying fakes has on the economy,” says Greaves.

In addition to protecting their brands from trademark thieves, True Religion uses a multitude of methods to discourage and catch counterfeiters. One of its most effective weapons is raising awareness. “We don’t keep our anti-counterfeiting measures a secret. We want law enforcement and consumers to know how to spot a fake,” says Greaves. True Religion’s anti-counterfeiting kit includes genuine parts such as button faces, button backs, labels and tags, as well as tips on how to distinguish real True Religion jeans from the fakes. These kits are shared with local, state, and federal agencies, including the Federal Bureau of Investigation, Immigration and Customs Enforcement, and Customs and Border Protection. While more can always be done, Greaves is confident that the company’s efforts have put a dent in the counterfeiters’ business schemes. “We get 20 to 30 letters per week from law enforcement and private investigators on counterfeiting activities.” These reports can range from the identification of a store selling fake products to large-scale investigations undertaken by the federal authorities in confiscating container loads of products.

Despite the growing sophistication of counterfeiters, some counterfeit jeans remain fairly easy to spot, given their shoddy quality. “Counterfeiters cut corners, so their quality is poor,” says Greaves. “I can tell over 95% of the time with one look if a product is counterfeit.” True Religion’s commitment to detail and quality remains one of the company’s defining features. Its value can be found in the consistency of the stitching, the use of real copper buttons with logos, high-quality zippers, and pella pocket lining, among other features. In addition to the manufacturing detail, True Religion also uses premium quality trims that are attached to the

jeans and placed in strategic places. All of these items and attention to detail are too expensive for counterfeiters to copy identically. And what about the harder-to-detect counterfeits that even Greaves has a hard time spotting? True Religion incorporates the use of high-tech security labels by BPS Brand Security. The labels have a special type of security yarn woven into the label that shows unique printed words and numbers that can only be viewed under a 100x magnifying glass.

Counterfeiting is a global problem, so any limitation on foreign manufacturers helps in the fight. Does True Religion have issues with its overseas suppliers? “One of the nice things about ‘made in the USA’ is control,” Greaves says. True Religion makes all its adult-size jeans in the U.S.; therefore, any jeans entering the U.S. through a seaport are automatically suspect. As an added security measure, True Religion uses special numbering on its security labels to determine manufacturing and distribution details.

To ensure that True Religion is doing everything it can on this front, Greaves’ team monitors a counterfeit hotline, reviews online auction sites frequented by counterfeiters, and aggressively pursues counterfeiters using the thing these criminals loathe most—the law. “We are leaving no stone unturned in our effort to protect our brand and our customers,” says Greaves.



Unilever

As one of the world's largest consumer goods companies, Unilever strives to meet the everyday needs of people through its food, home, and personal care product lines. With around \$50 billion in annual revenue and 170,000 employees, Unilever's brand protection efforts require a global perspective that accounts for the numerous markets in which it operates. The company has gone to great lengths to combat counterfeiting, which threatens its brands, workers, and the health and safety of consumers.

With a product portfolio of more than 400 widely recognized brand names, Unilever has many targets for counterfeiters. A majority of illegitimately distributed Unilever products originate in Asia, with China being the most prolific offender due to existing networks of sophisticated manufacturers, brokers, and intermediaries. Illegal operations typically consist of medium-size and large-scale manufacturers spread out in multiple production sites throughout China's provinces. Over time, these manufacturers have honed their ability to produce the components that make their way into the finished goods. Those products are then sent to markets around the world, particularly in Asia and Africa, and often reach end users in the United States and Western Europe, as the largest markets.

Richard Heath, Unilever's vice president and legal and global anti-counterfeit counsel, oversees the company's efforts to protect its numerous products from intellectual property theft. Heath estimates that Unilever's total products are counterfeit, are consistent with international trends, but are at the lower end of the published figures for organizations operating at a similar international level. "We are known for being tough on counterfeiters and have a successful track record of raids and seizures in manufacturing facilities and through our border efforts with Customs agencies," says Heath.

He attributes Unilever's successes to the multifunctional steering group that the company established in 2006 to combat counterfeiting. The group is led by the company's Legal and Sales teams and involves personnel from the Supply Chain, communications, public affairs, research and development, safety and environmental, IT, and marketing divisions. One example of how the group operates can be seen when its global sales force works with other divisions to gather intelligence on alleged counterfeit products, which then results in raids at manufacturing locations carried out by agents and governments officials. As Heath explains, the group's mission is "to create an environment that is both hostile and disruptive to counterfeiters by developing a fully integrated strategy and operational approach. Information sharing is key to this effort."

Other proactive measures play a major role in Unilever's anti-counterfeiting strategy. The company performs background inquiries on proposed distributors and undertakes a full risk assessment program for new suppliers. These risk assessments help ensure the authenticity of raw materials and allow Unilever to implement its product safety program earlier in the supply chain. Because counterfeit activity can occur anywhere along the organization's supply chain,

Unilever also develops special term contracts for predetermined high-risk suppliers.

Despite these diligent efforts, counterfeiting still occurs, requiring strong enforcement measures and cooperation with law enforcement agencies. “It’s critical that we establish public-private partnerships and create the best possible legal and enforcement frameworks to discourage counterfeiters,” says Heath. Direct engagement with relevant law enforcement agencies in a source, transit, or destination country is pivotal for following through on suspected counterfeit activity and, ultimately, yielding optimal results for the organization. “For instance, with border seizures, we invest in considerable technical assistance, training, and capacity-building programs with Customs agencies wherever the need is identified,” says Heath. “The civil [court] process is often too slow and ineffective in developing countries, requiring us to go down the criminal law or administrative enforcement route, even though penalties in many countries are still not tough enough.”

In addition to the more blatant forms of counterfeiting, Unilever also faces a challenge from products that are identical in practically every way to the authentic versions, with only minor variations on the packaging. “A look-alike, which may use a slightly different brand but otherwise look just like the real thing, is dealt with as another form of trademark infringement and pursued through the civil courts,” Heath says.

Another challenge stems from counterfeiters who manufacture products under a Unilever brand that does not match the products, with the goal of confusing the consumer. Criminals, for example, may pair a counterfeit toothbrush under a Unilever soap brand, resulting in consumers buying defective products or being turned away from buying Unilever products altogether. Heath sums up the nature of this particular problem saying, “The threat to consumer confidence is the hardest to quantify and potentially the most damaging, especially when the counterfeiter is copying a plausible line extension.”

Despite these challenges, Heath is confident that Unilever’s efforts are helping protect consumers, while ensuring that the company’s brands maintain the public’s trust. Heath acknowledges, though, that there is still much work needed to raise consumer awareness. “Stopping the counterfeiters at our end is one part of the battle, but our customers, retailers, and consumers also need to be equipped with the information necessary to spot fakes and help us in this effort.”

Other companies facing similar challenges can learn a great deal from Unilever’s anti-counterfeiting efforts. In addition to its cross-division steering group, Heath believes that another one of Unilever’s strengths is the company’s “leadership, involvement, and cooperation with strategic alliances and trade associations at the global, regional, national, and local levels that are driving public policy on these issues.” Companies must also look within and “establish internal brand protection programs that are tailored to each industry and the specific threats each company faces.”

In a global economy, Unilever recognizes that its goals of entering new marketplaces and broadening the reach of its products also bring additional challenges. Fortunately, Unilever is not alone in this fight against counterfeiting and piracy. It has been able to cultivate alliances with government and industry to effectively confront this threat by pushing for a more effective legislative and enforcement framework. By taking proactive measures, the company is taking the steps necessary to safeguard its long-term competitiveness, maintain its workers’ jobs, and protect consumers who rely on its numerous product offerings.

**XEROX**[®]

Xerox Corporation

Xerox Corporation is the world's leading document management technology and services enterprise. Headquartered in Norwalk, Connecticut, it has 57,400 employees and is ranked in the top half among the Fortune 500 companies worldwide.

A \$17 billion company, Xerox provides the document industry's broadest portfolio of offerings. Digital systems include color and black-and-white printing and publishing systems, presses and book factories, multifunction devices, laser and solid ink network printers, copiers, and fax machines. Xerox's services expertise is unmatched and includes helping businesses develop online document archives, analyzing how employees can most efficiently share documents and knowledge in the office, operating in-house print shops or mailrooms, and building Web-based processes for personalizing direct mail, invoices, and brochures. Xerox also offers associated software, support, and supplies such as toner, paper, and ink.

Counterfeiting is of significant concern to Xerox. However, it is after-sale parts and materials, rather than new products, that pose the most serious problems. Few wrongdoers try to "copy a copier" or steal one; but it's relatively common to try and infiltrate the aftermarket supply chain with fake or diverted supplies. According to George Parry, Xerox's Security Manager of Brand Protection, scam artists pilfer or counterfeit a variety of supplies (particularly items that involve regular replenishment, such as toner) and then resell them to unwary distributors, end users, or repair agents. Counterfeiters have even been known to "seed" a shipment—i.e., put a layer of a legitimate product on top of multiple rows or cartons of a fake product.

Illegal activities like these clearly hurt a company, its profits, its workers, and, most of all, its customers. Xerox is most concerned about its customers, since faulty aftermarket products often perform badly and may even damage the machines in which they have been installed. Downtime, poor-quality output, frustrated consumers, and loss of confidence in Xerox are the inevitable results.

Copy the Leader

As an industry leader, Xerox is a major target for counterfeiters and black marketers. To respond, Xerox has integrated its global supply chain security. "The most important thing," explains Parry, "is a formalized effort." This gives the Brand Security team a voice to profile the problem in business terms, articulate responses based on business benefit, and solicit buy-in from C-level personnel."

Practicing what it preaches, Xerox's worldwide Brand Protection organization regularly analyzes and upgrades supply chain processes to reduce shrinkage and vulnerability. Trained teams do site assessments at warehouses and depots, gather intelligence about transportation providers, and develop necessary security controls. They also develop programs for teaching technicians how to spot counterfeit parts and toner during repair calls and for helping customers recognize and appreciate the value of legitimate Xerox products. In fact, Xerox has established a "Toner Phoner" hotline for customers to call if they think that they've been approached or victimized by telemarketers posing as Xerox sales reps selling supplies at exorbitant prices.

Broad cooperation with government and law enforcement has also been key. A cornerstone of this strategy is Xerox's compliance with the Customs-Trade Partnership Against Terrorism (C-TPAT), a voluntary government-business initiative focused on strengthening and improving the international supply chain and U.S. border security. As a result, Xerox regularly performs inspections, audits shipments, and refines dock security standards.

Xerox aggressively investigates supply chain incidents that make it possible to gather comprehensive evidence to take to authorities. An airtight case not only helps from an investigative point, but it can compel even reluctant governments to step up and pursue cases that Xerox brings to their attention. This is doubly important in countries where authorities may be less enthusiastic about cracking down on illicit operations.

By applying the strategies profiled here, Xerox has successfully impacted most scam artists and counterfeit manufacturing facilities in the United States. "A half dozen years ago," says Parry, "we

launched an extensive crackdown campaign that actually gave us a respite from the counterfeiting threat. That effort also positioned Xerox as a company that most black marketers prefer not to tangle with." This brings to the fore a key benefit of strong supply chain oversight: the potential to discourage illegal activity.

Battling the problem overseas has proven more difficult, particularly in Southeast Asian countries such as Singapore, Hong Kong, Malaysia, China, and Taiwan. Ironically, illegal activity in these areas has risen because Xerox has been so successful combating it in the United States. Counterfeiters also have responded by decentralizing their operations. Instead of a single self-contained operation, they may refill cartridges in one place, package them in another, and warehouse them in a third. This means that a raid in one location may damage a black market operation but probably will not cripple it.

Despite their many successes, members of Xerox's Brand Protection team know that counterfeiting will not disappear—not only because it is profitable but because it involves products for which there is predictable, recurrent demand. Nevertheless, there is plenty of cause for optimism. As Parry concludes, "We know the players, we know the supply routes, and we know where to focus our attention. We also have a worldwide intelligence network and database. Every day, we're getting smarter about who's doing what, how they're moving products, and how we should respond."

Appendix

Online Resources

U.S. Chamber of Commerce Links

U.S. Chamber of Commerce (www.uschamber.com)
U.S. Chamber of Commerce's Global Intellectual Property Center (www.theglobalipcenter.com)
Coalition Against Counterfeiting and Piracy (www.thecacp.com)
American Chambers of Commerce Abroad (www.uschamber.com/international/directory/)

U.S. Government Links

U.S. Government Intellectual Property Enforcement Initiative (www.stopfakes.gov)
United States Patent and Trademark Office (www.uspto.gov)
Small Business Assistance (www.stopfakes.gov/smallbusiness)
U.S. Customs and Boarder Protection (www.cbp.gov)
Federal Bureau of Investigation (www.fbi.gov/ipr)
United States Copyright Office (www.copyright.gov)
State Department (www.state.gov/e/eeb/tpp)
U.S. Food and Drug Administration (www.fda.gov/oc/initiatives/counterfeit/default.htm)
The Congressional International Anti-Piracy Caucus (<http://schiff.house.gov/antipiracycaucus>)
Intellectual Property Rights Training Program Database (www.training.ipr.gov)

International Links

World Trade Organization (www.wto.org/english/tratop_e/trips_e/trips_e.htm)
World Intellectual Property Organization (www.wipo.int)
World Health Organization - International Medical Products Anti-Counterfeiting Task Force (IMPACT) (www.who.int/impact/en)
Security and Prosperity Partnership of North America (SPP) (www.spp.gov)

For more useful links, visit www.theGlobalIPCenter.com

About Us



U.S. Chamber of Commerce

The U.S. Chamber of Commerce is the world's largest business federation representing more than 3 million businesses of all sizes, sectors, and regions. It includes hundreds of associations, thousands of local chambers, and more than 100 American Chambers of Commerce in 91 countries. Our mission is to advance human progress through an economic, political, and social system based on individual freedom, incentive, opportunity, and responsibility. For more information, visit www.uschamber.com.



G L O B A L
INTELLECTUAL PROPERTY
C E N T E R

Global Intellectual Property Center

To meet the serious criminal and policy threats facing innovators, intellectual property-based industries, and consumers, the U.S. Chamber of Commerce created the Global Intellectual Property Center (GIPC), which is leading a worldwide effort against the assault on intellectual property (IP). Through its domestic and international programs, the GIPC's work focuses on raising awareness and increasing support for the value of innovation and IP; strengthening government support for IP in the United States; and improving and defending IP globally—in multilateral forums and in key countries. For more information, visit: www.theglobalipcenter.com.



KPMG

KPMG LLP, the audit, tax and advisory firm (www.us.kpmg.com), is the U.S. member firm of KPMG International. KPMG International's member firms have 123,000 professionals, including 7,100 partners, in 145 countries. KPMG advises clients on Intellectual Property matters related to anti-counterfeit, tax, compliance programs, dispute advisory, process, valuation, and other IP areas. For more information, contact Juan González III at 415-963-7619 or juangonzalez@kpmg.com.

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Arnold & Porter LLP is an international law firm of over 700 attorneys with offices in Washington, D.C., Northern Virginia, New York, Los Angeles, Denver, San Francisco, London, and Brussels. Founded in Washington in 1946, the firm maintains more than 25 practice areas that focus on regulatory, litigation, and transactional matters for clients whose business needs require U.S., UK, EU, or cross-border services. Arnold & Porter is committed to excellence in serving its clients and in supporting the communities in which it conducts business.

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