



Modern Counterfeiting: Capping the Flow of Counterfeit Goods

July 14, 2010



©2010 Foley & Lardner LLP



Q&A Discussion



Robert Weisbein
Foley Partner, IP
Litigation; Trademark,
Copyright &
Advertising



Chris Israel
PCT Government
Relations, LLC
Co-Founder and
Managing Partner



Jonathan Dudas
USFIRST.org
Former Under Secretary
of Commerce for
Intellectual Property
and Director, USPTO



Barbara Kolsun
Stuart Weitzman
Executive Vice
President & General
Counsel



Britton Payne
Foley Associate, and
Adjunct Professor,
Fordham Law
School



©2010 Foley & Lardner LLP



2010 Joint Strategic Plan on Intellectual Property Enforcement – Background, and Implementation

Chris Israel

Managing Partner, PCT Government Relations

Jonathan Dudas

USFIRST.org

Former Under Secretary of Commerce for Intellectual Property and Director, USPTO

©2010Foley & Lardner LLP



Joint Strategic Plan – Background

- Required per the Prioritizing Resources and Organization for Intellectual Property Act (PRO IP) Act of 2008
- IP Enforcement Coordinator Espinel confirmed December 2009.
- Joint Strategic Plan included input from multiple agencies – DOJ, Commerce, USTR, State, DHS, HHS, USDA and Copyright Office.
- Federal Register notice elicited over 1,600 public responses
- Multiple industry meetings
- Final Strategic Plan delivered June 2010 by Vice President Biden and Coordinator Espinel

©2010 Foley & Lardner LLP

FOLEY
FOLEY & LARDNER LLP



Joint Strategic Plan – Framework

- Strategic Plan focuses on 6 key areas for U.S. Government action:
 1. Leading by Example
 2. Increasing Transparency
 3. Ensuring Efficiency and Coordination
 4. Enforcing our Rights Internationally
 5. Securing our Supply Chain
 6. Building a Data-Driven Government



Joint Strategic Plan – Implementation

Action Items

- **Leading By Example**
 - Establishment of a U.S. Government-Wide Working Group to Prevent Federal Purchase of Counterfeit Products
 - Use of Legal Software by Federal Contractors
- **Increasing Transparency**
 - Improved Transparency in Intellectual Property Policy-Making and International Negotiations
 - Increased Information Sharing with Rightholders
 - Communication with Victims/Rightholders
 - Reporting on Best Practices of Our Trading Partners
 - Identify Foreign Pirate Websites as Part of the Special 301 Process
 - Tracking and Reporting of Enforcement Activities
 - Sharing of Exclusion Order Enforcement Data
 - Enhanced Communications to Strengthen Section 337 Enforcement



Joint Strategic Plan – Implementation

Action Items

- **Ensuring Efficiency and Coordination**
 - Coordination of National Law Enforcement Efforts to Avoid Duplication and Waste
 - Coordination of Federal, State and Local Law Enforcement
 - Coordination of Training for State and Local Law Enforcement and Prosecutors
 - Improve the Effectiveness of Personnel Stationed Overseas to Combat Intellectual Property Infringement
 - Coordination of International Capacity Building and Training
 - Establishment of a Counterfeit Pharmaceutical Interagency Committee
- **Enforcing Our Rights Internationally**
 - Combat Foreign-Based and Foreign-Controlled Websites that Infringe American Intellectual Property Rights
 - Enhance Foreign Law Enforcement Cooperation
 - Promote Enforcement of U.S. Intellectual Property Rights through Trade Policy Tools
 - Special 301 “Action Plans”
 - Strengthen Intellectual Property Enforcement through International Organizations

©2010 Foley & Lardner LLP



Joint Strategic Plan – Implementation

Action Items

- **Securing Our Supply Chain**
 - FDA Notification Requirement for Counterfeit Pharmaceuticals and Other Medical Products
 - Mandated Use of Electronic Track and Trace for Pharmaceuticals and Medical Products
 - Increased Enforcement Efforts to Guard Against the Proliferation of Counterfeit Pharmaceuticals and Medical Devices
 - Penalty Relief for Voluntary Disclosure
 - Penalize Exporters of Infringing Goods
 - Streamline Bonding Requirements for Circumvention Devices
 - Facilitating Cooperation to Reduce Intellectual Property Infringement Occurring Over the Internet
 - Establish and Implement Voluntary Protocols to Help Reduce Illegal Internet Pharmacies

©2010 Foley & Lardner LLP





Joint Strategic Plan – Implementation

Action Items

- **Building a Data-Driven Government**
 - U.S. Government Resources Spent on Intellectual Property Enforcement
 - Assessing the Economic Impact of Intellectual Property-Intensive Industries
 - Comprehensive Review of Existing Intellectual Property Laws to Determine Needed Legislative Changes
 - Supporting U.S. Businesses in Overseas Markets



Q&A Discussion



Robert Weisbein
 Foley Partner, IP
 Litigation; Trademark,
 Copyright &
 Advertising



Chris Israel
 PCT Government
 Relations, LLC
 Co-Founder and
 Managing Partner



Jonathan Dudas
 USFIRST.org
 Former Under Secretary
 of Commerce for
 Intellectual Property
 and Director, USPTO



Barbara Kolsun
 Stuart Weitzman
 Executive Vice
 President & General
 Counsel



Britton Payne
 Foley Associate, and
 Adjunct Professor,
 Fordham Law
 School



A Review of Luxury Counterfeit Cases

Barbara Kolsun
Stuart Weitzman
Executive Vice President & General
Counsel



Fendi Wins Settlement in Filene's Case

- Fendi files counterfeit lawsuit in 2006, accusing the sale of fake
 - Fendi goods from judgment-proof importer Ashley Reed Trading, Inc.
 - Fendi Adele S.r.l., et al. v. Filene's Basement, Inc. and Retail Ventures, Inc., 06 Civ. 244 (RMB)(MHD) (SDNY filed Jan. 12, 2006)
 - Fendi wins injunction against Filene's: Fendi Adele S.R.L. v. Filene's Basement, Inc., 2010 U.S. Dist. LEXIS 23478 (S.D.N.Y. Mar. 10, 2010)
 - Filene's agrees to pay \$2.5 million in settlement, banned from selling Fendi-banded products without prior written authorization from Fendi. June 22, 2010 [possibly filed in court action]



Fendi Adele S.R.L. v. Burlington Coat Factory

- Clear Message To Retailers:
 - Selling counterfeits that failing to exercise due diligence in purchasing products after an injunction may result in trebled damages of millions of dollars
 - 1987 injunction prohibits Burlington Coat Factory from selling Fendi products in its stores
 - 39 out of 43 Fendi-branded items sold by Burlington or purchased from their inventory were counterfeit

Fendi Adele S.R.L. v. Burlington Coat Factory, No. 06 Civ. 85 (LBS), 2010 WL 431509 (S.D.N.Y. Feb. 8, 2010)



United States v. Lam, et al.

- Luxury Counterfeiters found guilty
- Each guilty on one count of conspiracy to traffic in counterfeit goods imported from the People's Republic of China (PRC)
- Two counts of trafficking in counterfeit handbags, wallets, purses and carry-on bags
- Two counts of illegally smuggling counterfeit goods into the United States
- Each face a maximum of:
 - Five years in prison and a \$250,000 fine for the conspiracy count
 - 10 years in prison and a \$2 million fine for each trafficking count
 - 5 years in prison and a \$250,000 fine for each smuggling count

United States v. Lam, et al., Case 3:07-cr-00374 (E.D. Va. Jun. 10, 2010) (Dkt. 287)



Coach Inc et al v. City of Chicago et al

- Coach sues city of Chicago over counterfeit bags
- 300 vendors selling counterfeit Coach merchandise in the New Maxwell Street Market
- Claims Chicago has ignored Coach's demand to halt sales of counterfeit goods
- Seeking \$2 million of damages per violation, punitive damages, an injunction halting the improper sales and other remedies
- *Coach Inc et al v. City of Chicago et al*, No. 10-03108 (N.D. Ill. May 19, 2010)

©2010 Foley & Lardner LLP



Q&A Discussion



Robert Weisbein
Foley Partner, IP
Litigation; Trademark,
Copyright &
Advertising



Chris Israel
PCT Government
Relations, LLC
Co-Founder and
Managing Partner



Jonathan Dudas
USFIRST.org
Former Under Secretary
of Commerce for
Intellectual Property
and Director, USPTO



Barbara Kolsun
Stuart Weitzman
Executive Vice
President & General
Counsel



Britton Payne
Foley Associate, and
Adjunct Professor,
Fordham Law
School

©2010 Foley & Lardner LLP





Emerging Technologies and Counterfeiting

You don't have to be faster than the bear
Just faster than the other guy running from the bear

Britton Payne

Foley Associate, IP Litigation Practice and
Adjunct Professor, Fordham Law School

©2010Foley & Lardner LLP



Internet Helps Counterfeiters: Research and Distribution

- Helps counterfeiters determine which products are worth counterfeiting
- New methods for creation of counterfeits:
 - Connecting distributors
 - Coordinating efforts
- New access to customers: Social networking sites, "walled communities", "flash" purse parties
- Organized crime moves into counterfeiting post 9/11:
 1. Enforcement efforts are targeted elsewhere
 2. Banking regulations tightened, so harder to store cash -- keep it moving in counterfeit
- Fighting the previous war: Hard to follow mutations of counterfeiting channels and methods

©2010 Foley & Lardner LLP

FOLEY
FOLEY & LARDNER LLP



Internet Helps Fight Counterfeiters: Networking and Forensics

- Tracking tools: web crawlers for keywords in marketplaces and discussion groups
- Internet aids coordination of enforcement efforts among brand owners and authorities: promoted by 2010 Joint Strategic Plan on Intellectual Property Enforcement
- Computer forensics: "e-tail" leaves trails
- Prevention and enforcement by online marketplaces
- Distribution of credible threat of legal action and shows of strength
- Online shaming of counterfeit purchasers:
 - Facebook group "Darling I Can Tell by the Rest of Your Outfit Your Louis Vuitton is Fake"



Internet Enforcement

- Courts, ISPs and Rightsholders are working together to craft the appropriate level of participation in IP protection efforts.
- In re Aimster Copyright Litig., 334 F.3d 643 (7th Cir. 2003):
 - Chasing down individual online infringers is "a teaspoon solution to an ocean problem"
- Courts developing the balance for ISP responsibility in fighting online IP abuses
- "The counterfeiter preys on the weakness in all of us for a bargain." -- New York Magazine 1984
- New computer tools are creating virtual teaspoons to address the ocean problem



Compliance Roadmap

- *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005); *R.I.A.A. v. Lime Group LLC*, No. 06 CV 6936, 2010 WL 1914816 (S.D.N.Y. May. 11, 2010):
 - Contributory liability for inducement of online copyright infringement, and veil piercing
- *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93 (2d Cir. N.Y. 2010):
 - Monitoring not required, but robust prevention and enforcement efforts can foreclose ISP liability for counterfeit trafficking
- *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 07-cv-03952-JW, 2010 U.S. Dist. LEXIS 34021 N.D. Cal. Mar. 19, 2010):
 - ISP liable for customer trademark and copyright infringement: knowledge of infringement from notices, inadequate enforcement and prevention
- *Gucci Amer, Inc. v. Frontline Processing Corp.*, No. 09 Civ. 6925 (HB), 2010 WL 2541367 (S.D.N.Y. June 23, 2010):
 - Contributory trademark infringement where intentional inducement, or control and knowledge for banks and credit card processors for online counterfeit traffickers
- "Parking ticket" John Doe lawsuits: see, e.g., *Voltage Pictures, LLC v. Does 1-5000*, 10-cv-00873-RMU ("The Hurt Locker")
 - New technique stops short of lawsuits, could form a model for going after online end purchasers of counterfeit goods. Some ISPs resistant to subpoena burden

©2010 Foley & Lardner LLP



Labeling Technologies

- "The Chinese are very ingenious at imitation. They have imitated to perfection whatsoever they have seen brought out of Europe" -- Domingo Navarette, 17th Century
- For a generation, much of a product's worth is in the brand rather than the physical object
- Advances in labeling technology can keep brand owners a step ahead
 - Hot stamping, embossing
 - Holograms
 - Molecular tags
 - RFID technology
 - Thermochromatic (Heat-sensitive) Ink
 - Latent image technology
 - Tagged Inks: DNA
- Educate distributors and consumers
- Promote detectable authenticity: e.g. Mobile apps that can detect authenticity through RFID
- Use labeling technologies in conjunction with social media: Foursquare-style incentives to "check in" your product

©2010 Foley & Lardner LLP





Counterfeit Services Instead of Goods

- Ease of creating counterfeit websites and services.
 - From brick and mortar with cash payment
 - to vans
 - to websites for distribution
 - to websites themselves as the counterfeit
- *Yahoo! v. Nakchan*, 08-cv-4581 (S.D.N.Y. filed May 16, 2008)
 - Counterfeit Yahoo! promotions
- *Bradesco.com.br imitations*: see, e.g. *Banco Bradesco S/A v Guilherme Joffily*, Case no. DCC2010-0002 (W.I.P.O. Mar. 15, 2010)
 - Counterfeit version of bank’s website to steal customer credentials

©2010 Foley & Lardner LLP



Q&A Discussion



Robert Weisbein
 Foley Partner, IP
 Litigation; Trademark,
 Copyright &
 Advertising



Chris Israel
 PCT Government
 Relations, LLC
 Co-Founder and
 Managing Partner



Jonathan Dudas
 USFIRST.org
 Former Under Secretary
 of Commerce for
 Intellectual Property
 and Director, USPTO



Barbara Kolsun
 Stuart Weitzman
 Executive Vice
 President & General
 Counsel



Britton Payne
 Foley Associate, and
 Adjunct Professor,
 Fordham Law
 School

©2010 Foley & Lardner LLP

