

American Knife & Tool Institute

Counterfeiting Issues Facing the Industry

Recap of AKTI Round Table held February 11, 2013, Portland, Oregon

Presentations:

Defining the Problem the Industry Faces with Counterfeiting – Rod Bremer, President Columbia River Knife & Tool, AKTI Vice President

Intellectual Property Protection: Domestic and International – Jeff Haendler, Attorney, Klarquist Sparkman LLP, Portland

Protecting Your Brand on the Web and in Social Media – Roxanne Elings, Davis Wright Tremaine LLP, New York

Customs and Border Protection: Maximizing Your Rights – Cynthia A. Maltzberger, Assistant Port Director, Trade, Portland and Steven Lewis, Supervisory Import Specialist, Portland

Participants:

Les de Asis, CEO, Benchmade

Bill Keys, General Manager of Operations, Buck Knives

Rod Bremer, President, Columbia River Knife & Tool

Takashi Hashimoto, Legal Counsel, Kai/Kershaw Knives

Anne Reeve, Vice President, Chris Reeve Knives

Jerry Heinlen, President & CEO, SOG Knives & Tools

John Sullivan, Director of Marketing, W.R. Case

Jan Billeb, AKTI Executive Director

Dan Lawson, AKTI Legal Contributing Counsel, Meyer, Darragh, Buckler, Bebeneck & Eck, PLLC

Mark Schreiber, VP Operations, Columbia River Knife & Tool

David Fee, VP Sales & Marketing, Benchmade Knife Company

Stacy Morgan, Administrative Assistant, Benchmade Knife Company

Jon de Asis, Director Supplies, Benchmade Knife Company

Michael Cohen, IP Attorney, Schwabe (represents Benchmade Knife Company)

Goals:

1. Raise awareness about the issue of counterfeit goods
2. Better understand impact on company's brands and the industry
3. Strategies for actions that can be taken

The Problem

Counterfeit products – including use of logos and identical packaging

- Affects all products and all industries
- Ease of internet to sell counterfeits rapidly increasing counterfeiting market
- Complexity of international trade protections makes enforcement an issue

- Lack of consumer knowledge – to determine genuine versus counterfeit and understand reasons not to purchase counterfeit
- Counterfeiters increasing prices closer to the brand – adds to consumer confusion; price shoppers find fakes looking for bargains; makes counterfeiting more profitable
- Same factory that produce legitimate products produce counterfeits
- Foreign counterfeits arrive in U.S. by importers, passenger baggage and express services
- Counterfeiters are selling in multiple quantities, encouraging reselling

Magnitude of the Problem

- Online counterfeiting will soon surpass the volume sold by street vendors & other physical markets.¹
- Multinational brand owners lose approximately 10% of their top-line revenue to counterfeiters.²
- **Conservative estimate of annual financial impact on knife and tool industry is around \$80 Million.**³
- Impact on brand value
 - Perceived value declines
 - Quality and warranty issues
 - Product safety issues

Protecting Against Counterfeiting

Legal Registrations⁴

- **Trademark/Service Mark Registration - www.uspto.gov**
(word, phrase, symbol, sound, color, smell, etc. that can identify the source of the goods/services)
 - Most states require actual use to register
 - **Federal Intent-to-Use Application** – in interstate or foreign commerce
 - **US Federal Use Applications for Registration** – require actual use in interstate or foreign commerce (if filed Fed, no real benefit to file in state)
 - Most foreign countries do NOT recognize common law trademark rights
 - Most foreign countries REQUIRE trademark registration to enforce rights
 - Can file national application directly in foreign countries
 - Most will recognize US filing date if filed within 6 months
 - **Community Trade Mark application** – for EU
 - **Madrid Protocol Application**
 - Single filing; fees paid for designated countries
 - Includes China, EU, Korea, Japan (does not include Taiwan, Hong Kong, South Africa)
- **Copyright** – www.copyright.gov
 - Imbed copyright information in photos, websites

- **Utility Patents**
(protects process, machine, product or composition of matter, lasts 20 yrs from filing)
 - Foreign applications must be filed within 12 months of U.S. application to claim priority
 - PCT (international) application available but must be converted to national applications
 - Must be absolute novelty in foreign country (file in U.S. BEFORE invention public)
 - Enforcement requires lawsuit
 - *Probably not a cost effective strategy against counterfeiters.*

- **Design Patents**
(new, original, ornamental design, configuration, shape or outward ornamental appearance of a useful product)
 - Less expensive than utility patent
 - Lasts 14 years from issue date
 - Foreign applications must be filed within 6 mo of U.S. application to claim
 - Novelty rules vary in countries – file U.S. application before invention made public

- **Patent Protection in China**
 - Invention Patent (equivalent to utility patent – 20 years)
 - Design Patent (10 years)
 - Utility Model (no U.S. equivalent – 10 years)
 - Only available to products with shape and structure
 - Faster, cheaper to get
 - Enforcement requires evaluation report from Patent Office

Customs and Border Protection – cbp.gov

- **Register with CPB - IPR Center coordinates “recording process”**
 - Must have trademark / copyright first
 - See how to work with CPB to protect your IPR.pdf -
http://cbp.gov/linkhandler/cgov/trade/priority_trade/ipr/legal/ipr_guide.ctt/ipr_guide.pdf
 - Online recordation of trademark or copyright at <https://apps.cbp.gov/e-recordations>

- **Product Identification Guide –**
 - An effective manual should be brief and should include the following:
 - Information about the company;
 - The intellectual property owned by the company;
 - Contact information;
 - Registration number;
 - Recordation number;
 - U.S. International Trade Commission investigation number. Product identification guides prepared in connection with exclusion orders enforced by CBP will not be placed on the agency’s intranet. Rather, the information therein will be incorporated as appropriate in the field instructions that implement the order.

- » Physical characteristics of the product;
- » Photos of genuine and suspect versions of the goods;
- Manufacturing information; and
- An appropriate legal disclaimer, which can be found at www.cbp.gov/ipr.
- Used by ports for determine infringements at the ports
- Are accessible to CBP on internal website and linked to e-Recordation searchable database
- **Product ID Training**
 - Contact Assistant Port Director of Trade at each port of entry to arrange training so CBP is aware of your product and markings and can watch for counterfeiters.
 - Provide as detailed information as possible (see product guide information above)
 - Do not have to be importer to provide CBP with product information
 - Contact information can be found at www.cbp.gov/ipr

Counteracting Counterfeiting

(Need to continually review a multi-faced approach)

Internet (must do on regular basis)

- **Find Violators**
 - Monitor websites selling product below price – netenforcers.com
 - Subscribe to service that monitors brand – MarkMonitor.com (possible free review) or OpSec.com
 - Monitor sites internally with a scripting tool – iMacros (freeware)
 - Monitor third party websites – Ebay, Amazon, Alibaba, AliExpress, MadeinChina, xxxknives, towbow.com, dhgate.com, etc.
- **Actions**
 - File take down notices on third party websites (may require trademark proof)
 - Check website registrar (www.whois.com)
 - Work with ISPs - file take down notice or send cease and desist letter to registrar
 - Report violation to National Intellectual Property Rights Coordination Referral – www.iprcenter.gov/referral
 - Seizes domain names and redirects website to display seizure notice
 - Prosecutes and convicts as well as seizes profits
 - Report violations to search engines, social media sites
 - Report website to payment processing networks through IACC Portal Program
 - Work with foreign agent to file take down notices with foreign language websites
 - Assist searches – follows the money and freezes accounts
 - File lawsuit

Educate Consumers

- Information on brand's website about product and counterfeit problems
- Focus on quality and price points (ex. Monsterproducts.com; dexter-uggs.com)

- “Black lists” of websites

Imported Products

- File e-Allegations with Custom and Border Protections
- Can do anonymously online <http://apps.cbp.gov/eallegations/>
- Can provide information to trademark holder within 7 days
- CBP can seize products (72% by value from China, 12% Hong Kong, 1% ea. India and Singapore, 14% others)
- Disposition of seized items depends on type of product

Trademark Applications Filed by Others

- Send cease and desist letter
- File trademark opposition with foreign Trademark Office
- Need to show bad faith to settle opposition
- Negotiate price to buy
- File lawsuit

Enforcement in China

- Record registered trademark with General Administrations of Customs (GAC)
- Send cease and desist letter
- Request local Administration for Industry and Commerce (AIC) to take enforcement action to seize good (cost to conduct raid action).
- File lawsuit

U.S. Legislation / Work with Delegation

- SOPA – Stop Online Piracy Act – opposition introduced OPEN Act
- OPEN Act - Online Protection and Enforcement of Digital Trade Act – House Judiciary Committee has put on hold due to lack of support
- Meet as group with legislators to discuss problems

What Can AKTI or the Industry do to Address Counterfeiting?

- AKTI Industry Issues Committee – working group to address issues and share best practices
- Investigate distribution to see where to brake the chain the easiest
- Create checklist of resources
- Create whitepaper of best practices
- Coordinate mass take-down over short period, for example on alibaba.com
- Publicize successes – number of sites taken down, number of counterfeited knives confiscated
- Sue retailers to stop selling knock-offs
- Delegation to China to humbly ask for help in guarding IP or companies will go elsewhere

- Maintain Chinese law firm on contingency basis
- Article on AKTI website cautioning consumers about counterfeits

Actions

1. Disseminate notes from round table discussion and presentations
2. Form Industry Issues committee
3. Coordinate internet efforts
4. Create white paper of best practices
5. Develop strategy for follow up meeting
6. Investigate resources and possible membership in International Anti-Counterfeiting Coalition

Follow up:

1. Dan Lawson to review any notes or strategy
2. Mark Schreiber to provide list, information on how to search and submit take down information
3. Bill Keys to contact Bruce Sundahl for information from Nike
4. Mike Cohen to contact Columbia IP attorney for information
5. Reach out to contacts at Outdoor Industry Association for more information

¹ US Trade Representative 2012 annual Special 301 Report – provided by Roxanne Elings

² Secretary General, International Chamber of Commerce – provided by Roxanne Elings

³ Based on \$807.4 million total gross revenue at manufacturer/importer level – provided by AKTI State of Industry survey

⁴ Information provided by Jeff Haendler, Klarquist Sparkman LLP