

Some Tips For Fighting Counterfeiters In China

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With the continued growth of digital channels and China's role as the world's "factory floor," the success of your brand protection strategy in China and throughout the world is tied to your ability to target counterfeit goods sold on leading Chinese online marketplaces. Tailoring your brand protection strategy to address the problem of Chinese counterfeits can not only help you achieve your business goals in that important region but also help to drive business in other parts of the world.

Be Prepared — Trademark Registration

The foundation of a successful brand protection strategy in any market is built on a strong intellectual property portfolio in which trademarks play a crucial role. China presents some specific challenges for trademark owners in several ways. One of the most significant challenges is the unique classification system in China, which differs from that used by the World Intellectual Property Office. There are also procedural details that must be met so you can enforce your intellectual property rights. An important best practice for Asia is to consult local legal counsel to verify the strength of your trademark rights and help you navigate local requirements. This is especially important with the changes to Chinese trademark law that came into effect on May 1, 2014. Without a strong trademark rights foundation, brands can lose significant revenue to local firms that wish to profit from the brand's global reputation.



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Best Practices in Enforcement Strategies

Disrupting counterfeiters' business and making it difficult for consumers to find counterfeit versions of your products is a priority. Brands must understand the volume of cases of infringement as well as the number of marketplaces and sites on which the cases are found. Understanding the marketplaces that attract the most traffic is the first step in developing your enforcement strategy. Since counterfeiters follow traffic, it's logical that the greatest number of enforcements occur on popular marketplaces, whether those marketplaces are business-to-business or business-to-consumer.

Categorize marketplace listings by region and by type, i.e., whether the listing shows suspected counterfeit, gray market or legitimate goods. Becoming a "hard target" by consistent, vigilant enforcement in cases of counterfeit goods can significantly reduce the overall volume of infringement since counterfeiters will shift their focus to other, "softer" targets. Technology can help you identify patterns and similarities in listings, even across marketplaces, to detect high-volume and persistent sellers requiring extra focus. Often, pinpointing these persistent sellers can lead to discovering manufacturing capacity as many high-volume, repeat sellers have close ties to factories that can supply large volumes of counterfeit goods.

As discussed in the previous section, proper market-specific trademark registrations are vital to avoiding problems when conducting enforcement activities for counterfeits with Chinese online marketplaces. Precise enforcement codes are crucial along with careful documentation to justify takedown requests. Ensure that all delisting requests are reviewed by professionals with local language expertise and knowledge of cultural nuances. Delisting requirements may differ among marketplaces so be prepared to adapt your internal processes to accommodate localized requirements and guidelines for each marketplace. In general, Chinese marketplaces are “high touch” and personal relationships with local experts can make a tremendous positive impact on your enforcement program.

One of the more unique challenges to enforcement in China is that some marketplaces permit the sale of look-alike brands and products. In these cases, counterfeiters make a slight change, such as misspelling the product or brand name or a changing your logo. They may “create” products that do not exist in your product line and apply your trademarked terms or logos. These listings may even include images from your official product catalog to add legitimacy.

Unfortunately, many Chinese marketplaces see this as an instance of fair use or entrepreneurship and will not carry out delisting requests on the basis of “counterfeit” against these sellers. These types of situations need to be escalated outside of the standard processes so they do not distract the marketplace from your other delisting requests. Having a reference library of images covered by copyright can be very useful in these cases, and, of course, your patent portfolio is crucial. This is another instance where local experts with well-established relationships within the marketplaces can play a critical role. These situations will take extra time and effort, but the brand that perseveres can usually reduce the volume of infringing listings significantly.

Most Chinese marketplaces will not carry out enforcement measures for distribution problems such as gray market goods, referring the brand to their partner agreements for resolution. However, an examination of gray market listings can reveal useful intelligence about traffic patterns and product movements that can help brands identify the source of gray market goods.

The most successful brands work hard with regional marketplaces to build trust, and this shared level of trust results in higher compliance rates for enforcement efforts. By paying special attention to each marketplace’s enforcement guidelines and procedures, brands are able to build a track record for accuracy, which, in turn, builds a sense of partnership. If brands are too aggressive with delisting requests, such as submitting requests without the proper justification, they can face additional scrutiny and removal time for all delisting requests.

Local expertise, including local language skills, is an important factor in building a successful enforcement component for your brand protection strategy in China. Working with local experts, whether in-house staff, a partnership or a vendor relationship, lets you benefit from cultural knowledge and long-standing relationships while allowing you to adapt quickly to local policy changes as they occur. By following these guidelines, our customers have experienced compliance rates of 85 percent or more for enforcement requests on counterfeit goods on Chinese marketplaces. As in other markets, a strong, dedicated enforcement strategy will result in higher compliance rates over time.

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