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# Trademark Counterfeiting: How Mark Owners Can Protect Themselves

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## What is at Stake?

- ❖ United States – June 2010
  - U.S. unveiled a wide-ranging strategic plan for the protection of intellectual property
  - “Whether we are talking about fake Kevlar Vests ... or a bolt that fails on an airplane engine, we cannot afford to purchase fake goods.” – Vice President Joe Biden
  
- ❖ United States – April 2010
  - \$40 million in counterfeit goods seized in a single nationwide sweep
    - Top Counterfeited Brands in Sweep:
      - Rolex, Coach, Nike and various DVDs and pharmaceutical products
  
- ❖ United States – 2009 Calendar Year
  - U.S. officials seized approximately \$260 million in counterfeits
  
- ❖ “Intellectual property theft steals a whole lot. It steals jobs, creativity, it funds organized crime, and it’s a serious risk to public safety.”
  - John Morton, Assistant Secretary for U.S. Immigration and Customs Enforcement – The Wall Street Journal, April 26, 2010.



# Counterfeit Goods

## Counterfeit Goods

- What are they?
  - A counterfeit is a spurious good which is identical, or substantially indistinguishable from, a registered mark
- Evolution of counterfeits for Callaway Golf
  - Knock-offs to counterfeits





# TOP COUNTERFEITED PRODUCTS

- ❏ Footwear;
  - Adidas
- ❏ Apparel;
  - Large counterfeiting for all forms of apparel, especially replica athletic wear
- ❏ Consumer Electronics;
  - Panasonic Batteries
- ❏ Handbags/Wallets/Backpacks;
  - Louis Vuitton
- ❏ Watches;
  - Rolex
- ❏ Pharmaceuticals;
  - Viagra
- ❏ Athletics
  - Golf Industry - \$6 billion dollars in counterfeiting alone
- ❏ Sunglasses; and
  - Dolce & Gobbana and Chanel
- ❏ Software
  - Estimated \$34 billion per year in losses to software industry

•From Bloomberg Business Week



# Counterfeit Goods – Why We Care?

- ❖ **Economics**
  - Counterfeits take away from legitimate revenue
- ❖ **Regulatory Issues**
  - Goods may not comply with United States regulatory requirements
- ❖ **Exclusive Distribution Rights**
  - Disrupts current relationships with distributors
- ❖ **Dilution of Brand**
  - Consumer dissatisfaction with company over counterfeit goods
- ❖ **Public Safety**
  - Counterfeit goods may be dangerous to the public



# Enforcement Options

- ❖ **Customs Enforcement**
  - Stops goods from coming into the U.S.
- ❖ **International Governmental Action**
  - SAIC-State Administration for Industry and Commerce (China)
- ❖ **Internet Retailers**
  - Can be a speedy removal of auction sites
  - Some websites are faster and/or more responsive than others
- ❖ **International Trade Commission (ITC)**
  - A quick alternative to federal litigation - excludes goods from the U.S.
- ❖ **Federal Litigation**
  - Last line of defense
  - Expensive



# U.S. Customs Enforcement

## FR Registration is Easy and Inexpensive

- U.S. Customs and Border Protection
  - Intellectual Property Rights e-Recordation (IPRR) application
  - <https://apps.cbp.gov/e-recordations/>
  
- Generally What You Need:
  - Name, business address, and citizenship;
  - Places of manufacture of goods bearing mark;
  - Name and address of businesses authorized to use the trademark;
  - Certified status copy of trademark; and
  - A filing fee of \$190.00 for each trademark and each class of goods
  - A renewal fee of only \$80.00 for each trademark and each class of goods



# Internet Retailers

- ❖ Large Marketplace for Counterfeit Goods
- ❖ Active Enforcement/Prevention, Examples:
  - eBay's Vero Program; or
  - Craigslist Complaint Process





# ITC Actions

- ❖ Power of the ITC
  - Issue an exclusion order or cease and desist order against imports if there are unfair methods of competition (including trademark infringement or false advertising)
- ❖ Types of Infringement
  - Trademark infringement and false advertising
  - Federally registered and/or common law marks
- ❖ Advantages of ITC Action
  - No personal jurisdiction issues;
  - Ease of enforcement of exclusion order; and
  - Relatively quick determinations
- ❖ Disadvantages
  - Importation only (no statutory damages scheme, as in Federal litigation)



# Federal Infringement

## Damages

- Treble damages;
- Statutory damages;
  - \$500 to \$100,000 per counterfeit mark per type of good or service (up to \$1,000,000 if willful);
- Attorneys' fees

## Federal Marshals

- Can seek an order for seizure of any counterfeit goods

## Cast a Wide Net

- Most counterfeiters default
- Many use fictitious names, making them harder to find
- Remember insurance coverage (intent to infringe could be an issue)
- Look for deep pockets (landlords, credit card processors, related entities, etc.) and name if they could be involved in the counterfeiting operation
  - *Gucci Am., Inc. v. Frontline Processing Corp., et al.*, 09cv06925-HB (S.D.N.Y. June 23, 2010)



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# CALLAWAY EXPERIENCE



A better game by design.



# Callaway Golf Under Attack

- ❖ “Knockoffs” or “Clones”
- ❖ Counterfeits
- ❖ Historically Taiwanese Money; Now Chinese Manufacturing and Operations
- ❖ Unscrupulous Sellers & (Often) Unwary Consumers
- ❖ Sold on Internet Sites & in Asian retail outlets catering to tourists



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# Counterfeiting Means Jobs





## A Typical Auction

The screenshot shows an eBay auction listing for a "BRAND NEW Callaway X-22 Iron Set 3-SW". The listing includes a main image of the golf clubs, a detailed description of the item, and a sidebar with seller information and other item details.

**BRAND NEW Callaway X-22 Iron Set 3-SW**

Item condition: **New**  
 Time left: **1 day 10 hours (Jul 09, 2010 02:52:41 PDT)**  
 Bid history: **0 bids**  
 Starting bid: **AU \$500.00**  
 Your max bid: **AU \$**  
 Price: **AU \$750.00**  
 Shipping: **Read item description or contact seller for details.**  
 Returns: **No Returns Accepted**

**Seller info**  
 chendog\_04 (44) 100% Positive feedback

**Other item info**  
 Item number: 180451403634  
 Item location: Brisbane, QLD, Australia  
 Ships to: Australia  
 Payments: PayPal

**Description** Shipping and payments  
 Seller assumes all responsibility for this listing.

**Item specifics - Golf Clubs**

Condition:	New	Gender:	Men
Brand:	Callaway_intl	Dexterity:	Right-Handed
Club Type:	Irons:Set	Shaft Material:	Steel
Number of Golf Clubs:	9	Condition:	New
Size of Golf Club:	--		

### You Are Bidding on a Brand New Set of Genuine Callaway X-22 Irons

This Set comes with: Irons 3, 4, 5, 6, 7, 8, 9, PW, SW ( 9 clubs in total)

Callaway Head Covers for each CLUB

True Temper Dynamic Gold Stainless Steel Uniflex Shafts

Standard Length and Lie ( Can order longer or shorter but delivery will be longer)

Serial Number on the 8 Iron ( If you would like the serial number prior to bidding message me for it)



The legendary performance of the X-Series in a new Iron with even more forgiveness.

The goal of our X-Series Irons has always been lofty: Set the performance standard for the industry. We've done it again with the X-22 Irons, the best X-Series





# Another Typical Auction

Welcome to Alibaba.com. Log In | Register | Help Us

Buy | Sell | Community | My Alibaba | My Favorites | Help

Search

Advanced Search

About 3918 results from this website: Golf Carts (8)

There is feature & details & information & details: Golf Clubs (34620)

Language Options

- French
- German
- Italian
- Russian
- Spanish
- Portuguese

There are 3918 good quality golf products from 415 suppliers on Alibaba.com

Related Searches: good quality golf products , good price gift products , good way plastic products , feel good products

Supplier Details

Yong'an Yipu Trading Co., Ltd.  
 [ Fujian, China (Mainland) ]  
 Business Type:  
 Manufacturer, Trading Company  
 Contact Details: Gold Supplier [2<sup>nd</sup> Year] A&V Checked  
 Online Showroom: 1,415 Products  
 Other Similar Products from this Supplier View this Supplier's Website  
 Add Company to My Favorites



See larger image: good quality golf products

Share

Add Product to My Favorites

Report Item

good quality golf products

FOB Price: US \$0.01 - 218  
 Port: Shanghai  
 Minimum Order Quantity: 1 Set/Sets ---  
 Supply Ability: 1000 Set/Sets per Week ---  
 Payment Terms: T/T,Western Union,MoneyGram,Paypal

Ms. Annie Dang  
annie

Contact Now

Send a Message to this Supplier

Product Details Company Profile

Quick Details:

Place of Origin: Fujian, China (Mainland)  
 Club Type: Complete Set of Clubs  
 Gender: Unisex  
 Accessories: Golf Club  
 Packaging & Delivery:

Brand Name: c a l  
 Shaft Material: Graphite  
 Dexterity: Left Handed

Model Number: FT1  
 Flex: R  
 quality grade: top grade



# Use Law Enforcement

## PRESS RELEASE

June 8, 2010

### **Online Golf Equipment Counterfeiters Arrested in Shanghai**

Shanghai, PRC - The U.S. Golf Manufacturers Anti-Counterfeiting Working Group (the "Anti-Counterfeiting Group") comprised of Acushnet Company, Callaway Golf, Cleveland Golf/Srixon, Nike Golf, PING and TaylorMade Golf Company reports that on May 20, 2010, the Shanghai Municipal Public Security Bureau ("PSB") issued formal arrest warrants charging two shop owners with the crime of selling counterfeit golf equipment at the Shanghai Longhua Apparel Market.





# IP Enforcement: Finding the Bad Guys

- ❖ Mine all sources of information
  - Sales Reps
  - Shareholders
  - Retailers/Distributors
  - Internet Monitoring
  - Trade Shows
  - “Friends” (i.e. Consumers, golf fans, converted former infringers)
  - Investigators



# Combating Counterfeiters

- ❖ Develop Intelligence Sources
- ❖ Cooperate as an Industry
- ❖ Petition Governments
- ❖ Monitor and Attack Internet Sales on Web Sites or Auction Sites
- ❖ Intercept Shipments (Customs)
- ❖ Criminal Convictions (China)



# Combating Counterfeiters

- FR Secure the Supply Chain in China
- FR Raid Factories, Wholesalers, & Retailers
- FR Use Civil Courts & Law Enforcement
- FR Educate the Public/Use the Media
- FR Wait 10 years, perhaps 20.....



## Counterfeits & China

It is estimated that 80%-90% of all golf counterfeits are made in China, with most from Guangdong, Fujian and Zhejiang Provinces.



# Anti-Counterfeiting Working Group

- ❖ Founded: January 2004
- ❖ Purpose: “To share information, manpower, and financial resources to jointly petition appropriate government authorities to pursue entities involved in the unlawful manufacture and distribution of counterfeit golf products.”



# Anti-Counterfeiting Working Group

- ❖ Members: Callaway Golf, Nike Golf, Acushnet Golf, Ping, TaylorMade-Adidas, Cleveland Golf, plus....
- ❖ Permanent Antitrust Counsel
- ❖ Group-retained counsel in U.S., China, & Thailand
- ❖ Current Focus: China



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# Large Foundry in Patina







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# Xiamen: Machinery Seized







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# Destruction Ceremony (Working with China)





# Conclusions/Outlook

- ❖ Must be in for “the long haul”
  - Need to retool often – repetitive efforts go stale
  
- ❖ Total victory not possible
  
- ❖ The Golf Industry must be a “squeaky wheel” to foreign governments
  
- ❖ As Chinese economy matures, the counterfeiting sector will diminish
  - “Balance of trade” today is 100:1



# The Protection Team

- FR Corporate Executive
- FR In-House Counsel
- FR Outside Counsel
- FR Federal Law Enforcement (CBP, ICE, FBI, US Attorneys)
- FR State Law Enforcement Officials (Local Police, Sheriffs, District Attorneys)
- FR Private Investigators



# Protection Tools

- FR Federal Criminal Statutes
- FR State Criminal Statutes
- FR Foreign Enforcement Agencies
- FR Civil Statutes
- FR CBP/ICE Enforcement



## What can/should you do?

- FR Register, Record and Renew your IP
- FR Train Your Staff
- FR Tell Everyone
- FR Consider Publicity
- FR Know the Laws and Who to Call
- FR Hire/Train Private Investigators
- FR Have Identification Materials Ready
- FR Prepare your CFO for the Costs of Enforcement
- FR Form Strategic Alliances



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Thank you!