



Tuesday, October 21
2:30 pm-4:00 pm

610 Protecting the Brand

Kathryn Chapman

Former International Legal Director
Comdisco, Inc.

D'Arcy Quinn

Director, Anti-Counterfeiting
CropLife International

Jennifer Scully

In-House Trademark Counsel
Microsoft Corporation

Scott Warren

Managing Director
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Faculty Biographies

Kathryn Chapman

Kathryn Chapman is the former international legal director for Comdisco, Inc., a global technology services and leasing company. She spent over 25 years as in-house counsel with Comdisco, including five years as general counsel, Europe, working and living in Paris, and another 15 years as the international legal director, responsible for all the legal affairs of the non-US subsidiaries of the company.

Ms. Chapman is an experienced corporate attorney with a broad background in structuring complex global commercial transactions. She has extensive experience in technology transactions, M & A, debt and equity structures, regulatory and compliance issues, equipment leasing, bankruptcy, venture capital, and general business administration. While much of her work has been with companies in the US, her special interest has been in the expansion and operation of businesses into countries outside of the US, including North America, South America, Europe, Asia, Australia, and New Zealand.

Ms. Chapman is a member of ACC's International Legal Affairs Committee, the ABA - International Section, and a member of the California and Illinois State Bar Associations.

Ms. Chapman received a BA from the University of California, Los Angeles and is a graduate of the University of San Diego School of Law. She also has a degree in Teaching English as a Second Language from the University of California, Los Angeles.

D'Arcy Quinn

D'Arcy Quinn is the director of anti-counterfeiting for CropLife International in Brussels, assisting the plant science industry to eliminate counterfeit pesticides.

Prior to joining CropLife, Mr. Quinn worked for Philip Morris Corporate Services reducing counterfeit Marlboro in Russia from 17% to less than one percent. In Eastern and Central Europe he oversaw investigations, raids, and prosecutorial follow up of twenty-one factories counterfeiting cigarettes. His findings contributed to the successful resolution of multi-billion dollar litigation brought by the European Union against Philip Morris for allegations related to cigarette smuggling.

Mr. Quinn was also a director of the Pharmaceutical Security Institute representing twenty-two pharmaceutical companies worldwide, investigating and prosecuting criminal networks dealing in fake medicines. Mr. Quinn led undercover operations in Mexico and provided evidence to the US Congress resulting in a revamping of FDA regulations pertaining to illegally traded medicines, including counterfeits.

Scott A. Warren

Scott A. Warren is a managing director for Kroll, Inc. working from the company's Tokyo, Japan office. Mr. Warren specializes in business intelligence and investigations as well as risk consulting services for corporate clients and government agencies. His other areas of specialty include protecting intellectual property, computer forensics, e-discovery, and anti-cybercrime efforts.

Prior to joining Kroll, Mr. Warren was senior attorney and director of Microsoft's anti-counterfeiting program in North Asia, helping to direct one of the largest seizures of counterfeit goods in company history, as well as negotiating the then largest anti-counterfeiting settlement for Microsoft in Asia. Mr. Warren was also the worldwide director of Xbox anti-piracy and Asia-wide lead counsel for Xbox, supporting all commercial operations in Asia. He further served as director of Internet safety enforcement for North Asia for Microsoft, leading the company's cybercrime enforcement and child safety efforts in the region.

Prior to his tenure at Microsoft, Mr. Warren served as general counsel at Sega Corporation's Tokyo headquarters, where he was responsible for all international transactions, licensing, litigation, and the company's overall anti-piracy efforts.

Counterfeit Pesticides Caused By Unregulated Trade in Active Ingredients

The "counterfeiting chain" and vicarious liability

D'Arcy Quinn
Director, Anti-Counterfeiting

Summary: Suppliers to counterfeiters ("CFers")

Problem: Suppliers to CFers claim "no knowledge"
(similar to landlords renting to CFers)

Challenge: How to provide "notice" to suppliers
Media, educate, prosecute

Case studies

Solution: Vicarious liability for "CFing chain"

Avoid vicarious liability:

Suppliers: Know Your Customer
Buyers: Know Your Supplier

Issues:

International trade of counterfeit ("CF") pesticides

- ✓ Increased CF global trade, including pesticides
- ✓ Increased seizure quantities of CF pesticides:
non – IPR infringing active ingredients
CF trademarks and packaging
- ✓ High costs of storage/destruction for CF pesticides

Issues:

International trade of counterfeit ("CF") pesticides

- ✓ CFing chain has a "global strategy" for CF pesticides
- ✓ Similar CFing chain: medicines and pesticides
- ✓ Food "crisis" and increase of CF pesticides
- ✓ CF destroys crops
- ✓ CF risks country export economies
- ✓ CF threatens "food chain"
- ✓ Investigative challenges of CF pesticides

Strategic Path

Obtain evidentiary **FACTS** on the illegal international trade of CF pesticides ("CFing chain") to make it a priority for regulatory agencies, police/government (national security), and ultimately a **trade priority for suppliers/buyers.**

FACTS ("investigations") on CF:

- ✓ part of company business plan
- ✓ shareholder questions to CEO re CF

Ukraine - 560 tons of CF pesticides Crisis & Opportunity

- ✓ One single seizure – 560 tons **Jan 2007**
- ✓ Evidence obtained – supplier shipping documents

Putting stakeholders on **notice** re "CFing chain":

- ✓ Letters to governments and suppliers

- ✓ Financial Times article - the trigger **May 2008**
Paradigm Shift

China – Supplying the Ukraine CFing chain

Action: Follow the Ukraine link to Shanghai:

Certain bulk active exporter practices:

"Knew or should have known":

- ✓ Fake destination companies in Ukraine
- ✓ Shipping documents – incorrect shipping codes
- ✓ Pesticides not registered/legal in destination country

Establishing "notice":

- ✓ Collaborate with China export authorities [ICAMA]
- ✓ Engage China pesticide export industry

China - Opportunity

Shanghai Pesticide Export Fair March 12, 2008

Action: POSITIVE approach with exporters

CropLife China

CropLife International

COOPERATE with fair organizers and government

*"The highest way is not fighting every battle and winning
but winning every battle without fighting."**

* Sun Tzu

China – Opportunity

Educate exporters - risk of CFing chain

“Notice”**Action: CropLife International messages**

- ✓ “Know Your Customer”
- ✓ Danger to exporters:
 - Potential liability for storage/destruction costs
 - Reputation damage to China
 - Arrest and prosecution

China - Shanghai Export Fair**Results**

- ✓ 520 booths, 10,000 attendees
- ✓ Positive **media** on anti-CFing (notice)
- ✓ IPR Shanghai police cooperation with CropLife
- ✓ **59 IPR enforcement actions** by local officials!
- ✓ Background on potential exporters of CFs

Most important:

- Ongoing invitations from export industry for more training on “Know Your Customer” and avoiding the CFing chain
- Direct cooperation with China export authorities

Brazil – CF pesticides crisis**Issue:**

- ✓ CFs smuggled from Paraguay into Brazil
- ✓ Exported from China

Chokepoint in Paraguay**Actions:**

- ✓ Analyze import statistics from China to Paraguay
 - Massive oversupply –**
 - “Knew or should have known” CFed and smuggled
- ✓ Put Paraguayan regulatory authorities on “**notice**”
- ✓ Put China authorities on “**notice**”
- ✓ Link China and Brazilian authorities

Paraguay – CFing in Tri-Border**Smuggling to Brazil****Issues:**

- ✓ Oversupply into Paraguay from China
- ✓ Thereafter repacked and smuggled into Brazil
- ✓ Paraguayan CFers “untouchable”

Action:

- ✓ Provide investigative FACTS to regulators (“**notice**”)
- ✓ Regulators alert police and raid CF facility

Paraguay - next steps

First raid against pesticide CFers

Post presidential elections:

- ✓ Regulators provide list of suspect exporters/factories in China
- ✓ Criminal prosecution for CFers (entire CFing chain)
- ✓ Organize cross industry efforts in Tri Border area
- ✓ **Work with China export authorities now on notice:
check existence of / exporters/factories:**

Global CF issue 2008:

How to avoid the CFing chain and vicarious liability

(similar to landlord liability for tenants CFing)

EXPORTERS:**Know Your Customer**, specify in shipping documents

- ✓ Avoid fraudulent oversupply leading to CFs
- ✓ Avoid liability for damages caused by CFs
- ✓ Avoid liability for destruction costs of CFs

BUYERS:**Know Your Supplier**, verify factory exists**Contributory Infringement for Online Sale of Counterfeit Goods:
Status of eBay Cases**

Jennifer Scully, Microsoft Corporation

Liability of online marketplaces for the sale of counterfeit goods is a growing debate among brand owners and marketplace sites. This outline gives highlights of the recent eBay cases addressing this issue. Four major cases have been filed against eBay regarding sales of counterfeit goods on eBay sites. The trial court decisions from each case are either currently on appeal, or expected to be appealed:

- U.S.: Tiffany v. eBay, Tiffany (NJ) Inc. and Tiffany and Company v. eBay, Inc., Case No. 04-cv-04607 (S.D.N.Y., July 14, 2008)
- France: LVMH Moet Hennessy Louis Vuitton v. eBay, Inc., Case No. 2006077799 (Tribunal de Commerce de Paris, June 20, 2008)
- France: Hermes v. eBay International AG, (Tribunal de Grande Instance de Troyes, June 4, 2008)
- Belgium, France, England, Germany and Spain: Lancome Parfums Et Beaute & Cie (L'Oreal) v. eBay International AG, eBay Europe s.a.r.l., eBay Belgium, Case No. A/07/06032 (Tribunal de Commerce de Bruxelles, July 31, 2008)(among others)

U.S. Case

Judge Sullivan rejected Tiffany's claim of contributory infringement for auctions featuring counterfeit Tiffany goods, and followed the Supreme Court's test in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 546 U.S. 844 (1982), which requires that a manufacturer or distributor "knows or has reason to know" of the infringement:

The law does not impose liability for contributory trademark infringement on eBay for its refusal to take such preemptive steps in light of eBay's 'reasonable anticipation' or generalized knowledge that counterfeit goods might be sold on its website. Quite simply, the law demands more specific knowledge as to which items are infringing and which seller is listing those items before requiring eBay to take action.

The Court noted that the burden to protect the brand falls squarely on the brand owner, and this burden does not shift to an online marketplace unless the marketplace has specific knowledge of an infringement.

Key facts:

- VeRO notice and take-down program
- Fraud engine to detect "indicia of counterfeiting"

- Comprehensive user agreement protecting IP

The Court's holding suggests that a trademark owner's duty to police can be measured as a percentage of brand owner's sales:

- Court found that Tiffany's 284,149 listings for notice and take-down of eBay auctions was insufficient
- Court analyzed sufficiency of Tiffany's policing relative to sales: "In fiscal year 2003, Tiffany budgeted approximately \$763,000 to the [eBay counterfeit] issue, representing less than 0.05 percent of its *net sales* for that year."
- Court held that eBay "favored and amplified the unlawful large scale marketing" of counterfeit goods.

LVMH Case in France

Claims were not based on trademark infringement, but made under general provisions of civil law imposing civil liability for "causing damage to another" whether the act is intentional, negligent or "imprudent."

- Court also found eBay liable for favoring the sale of goods outside of LV's exclusive distribution network
- Court rejected eBay's claim that it is protected by the safe harbor provision of E-Commerce Directive 2000/21/EC for hosting service providers—court found that eBay is a "broker," not an HSP
- Court also found that it had jurisdiction to hear claims regarding advertisements on foreign eBay websites

Hermes Case in France

Hermes filed this as a counterfeiting case, rather than relying on general provisions of civil law like the Louis Vuitton case. The Court ruled:

By selling Hermes bags and branded accessories on the ebay.fr site, and by failing to act within their powers to prevent reprehensible use of the site [eBay and the lister] committed acts of counterfeiting and imitation of French brand names ... to the detriment of Hermes International.

The ruling may be limited only to past acts of eBay—the Court acknowledged that eBay has improved its anti-counterfeiting efforts.

L'Oreal Case in Belgium (related cases still pending in other jurisdictions)

- Court ruled that eBay does not have a duty to take down auctions selling counterfeit goods; case dismissed.

Kroll's Key Takeaways on Brand Protection for Corporate Counsel

ACC Annual Meeting '08

Protecting the Brand Seminar, 10/21 from 2:30-4:00 pm

- **Why do we care?** Intangible assets are an ever-increasing percentage of a corporation's total assets, over 70% for most US corporations.
- **What is Intellectual Property?** Generally property rights governed by trademark, copyright, patent and trade secret law.
- **How is a Brand at risk, particularly in developing economies?** There are many ways that brands are stolen, whether by competitors, partners or even employees. Vigilance is critical in thwarting these risks.
- **What are the Do's and Don'ts in enforcing Brand Protection in developing economies?** Ultimate success is usually governed by a focused-approach of investigating up the chain to identify key infringers and, to the extent possible, driving criminal enforcement against them. In doing so, you should:
 - Look broadly at your investigations across countries, regionally and globally.
 - Know the volumes and values of the infringing product involved for specific targets.
 - Understand the market factors and paradigms shifts that affect the prevalence of counterfeits in a market.
 - Think broadly about who your allies are in fighting this problem.
- **What is Proactive Brand Protection?** Its finding ways to prevent IP theft before it happens. It involves orchestrated execution in some critical steps:
 - There must be an understanding at a high-level in the organization that, unless you take a proactive approach, the counterfeiters have already won. If this understanding does not exist, you must work to build it.
 - You must break down corporate silos, securing the support of many departments across the organization if you are going to be successful.
 - Build-in IP protection at the products are being developed.
 - Register your IP rights and prepare ownership docs in advance.
 - Consider creative distribution models and other methods to thwart piracy.
 - Have a healthy skepticism for your local partners.
 - Build a culture of IP awareness and brand protection within your organization. Everyone has an important role to play.