# Developing an effective international anti-counterfeiting strategy

All companies with an international dimension can benefit from a tailormade, international anti-counterfeiting programme. By implementing such a strategy, companies can protect their business and restore the market for original products

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Medicines and pharmaceuticals, agrochemicals, auto parts, toys, personal care items and electrical products are among the wide range of products that are often counterfeited, but these particular products have more in common than merely being readily available at low prices. The fake versions of these products pose a major threat to health and safety.

Although inexpensive, counterfeit products lack the quality and reliability of the original products, and are manufactured and distributed on an industrial scale by criminal organisations with global reach. They reach consumers through the commission of a series of serious crimes.

Counterfeiting deceives consumers, leads to major economic losses for IP rights holders and legitimate business and impacts on tax revenues and the creation of employment, while deterring innovation worldwide. Therefore, the issue is increasingly recognised as one of the most serious global issues: according to conservative estimates, the international trade in physical counterfeited and pirated products has a value of at least US$500 billion a year and the global counterfeit market accounts for at least 8% of the global trade.

**An underrated illegal phenomenon**

In some countries, most consumers accept and buy counterfeited items. For example, a recent study sponsored by the American Chamber of Commerce and Mexico showed that 88% of the Mexican population has bought a pirated and/or counterfeit product at least once. In addition, in recent years IP owners have had to reduce their annual budgets due to the global economic crisis, and such cuts have often been made in regard to their anti-counterfeiting efforts rather than in slimming down their IP portfolios.

These facts have allowed global criminal organisations to increase their illegal activity, resulting in huge economic profits that can be diverted to finance other serious criminal activities, such as drug trafficking, high-profile assassinations and social violence, weapons contraband, sexual slavery, kidnapping and, in some documented cases, terrorism.

Therefore, it is fair to conclude that we are facing a growing menace, with social acceptance and the passive (and sometimes permissive) attitudes of IP owners resulting in a bad marriage that could prove too difficult to control in the long run.

These facts serve only to add to the difficulties placed on anti-counterfeiting operations by the limited budgets that hinder most companies' anti-counterfeiting activities. Thus, today more than ever, it is of the utmost importance to plan, develop and execute international anti-counterfeiting programmes intended to tackle the problem effectively at different levels; the success of such programmes should be achieved by having efficiency and cost-effectiveness as key guidelines.

**Steps to take**

Set out below are some recommendations arising from experience to be followed when

planning an international anti-counterfeiting strategy.

**1. Find a well-respected and professional law firm with sufficient capabilities and resources to assist in combating anti-counterfeiting effectively**

An inexperienced, small firm should not be hired just because it is cheaper and thus will help to keep costs down. In this area of professional services, quality matters and less is definitely not more — you get what you paid for, so if you pay less, you will hire a firm of either limited capacity or inferior quality, and as a result the success will be restricted or non-existent. In short, there is no such thing as a quality bargain, especially when dealing with delicate issues that require ethical behaviour, transparency, professional experience and adequate resources. In most cases the IP rights holder will be involved in different strategies that require:

- The filing of diverse legal actions in foreign countries.
- The monitoring of the outcome of such actions.
- The coordination of the efforts of investigators and legal professionals.

Furthermore, actions performed by legal representatives (including foreign attorneys) may result in legal liability for companies, regardless of whether the liability was caused by inexperience, malpractice or unethical behaviour.

Finally, transnational companies that are forced to comply with strict codes of conduct and anti-corruption policies and regulations may find it amusing to learn that the attractive fee and expenses "bargains" offered by some firms are financed or supported by acts of corruption. Some unfortunate examples involve legal representatives and alleged infringers, together with some authorities, and result in pardons being granted and legal actions being withdrawn in exchange for large sums of money — all this behind the backs of companies that have entrusted their attorneys with the legal powers to act on their behalf. Worst of all, such unethical and illegal conduct may also expose the same companies to liabilities.

**2. Know your industry**

Not all markets and activities are similar, and the threats and risks posed by counterfeit goods to the pharmaceutical industry are different to those that affect luxury brands or manufacturers of electrical or automobile parts. By knowing the specific challenges and dynamics of your particular economic sector, you should be able to plan the best possible strategy to suit your company's real needs and expectations.

Although this is vital it is often neglected, as many people believe that the subtle differences regarding transport, distribution and marketing mechanisms often have a direct impact on choosing the best strategy to follow for a specific sector of the industry. It must be remembered that what may be effective for a large consumer products company may not be applicable to the luxury brands market, and the same approach may not yield the best results for a pharmaceutical company.

**3. Gather intelligence to identify strategic sources, distribution schemes and sales points of pirated and counterfeited products**

While it is impossible to implement actions in all territories, it is widely known that several countries in Southeast Asia (particularly China) are the primary source of most counterfeit products, so it makes sense to start from there and obtain sensible intelligence and data concerning the routes of the cargo being manufactured and shipped from that region to strategic territories throughout the world.

For example, in October 2009 at several Mexican ports (including Lazaro Cardenas and Manzanillo) Mexican customs officials detected over 72 containers transporting thousands of different counterfeit products (from footwear, luxury clothing and accessories to electronics and toys) bound for several Central and South American markets (Panama, Chile, El Salvador, Guatemala, Honduras and Argentina). In collaboration with several IP owners which filed the appropriate legal actions, the Mexican authorities were able to seize the offending products and prevent them from arriving on the market. The importance of these actions was evident as they resulted in Mexican Customs receiving the Yolanda Benitez Trophy from the World Customs Organisation for its work enforcing IP rights.

A wise investment should aim not only to produce legal actions (eg, claims and raids) in regard to the end of the supply chain (ie, the places where counterfeits are sold), but also to gather the necessary information and evidence to track down the source of such products, which in turn should serve to direct further legal actions towards the places of origin, manufacture, distribution and wholesale of illegal goods.

Another key aspect that should be borne in mind when attempting to obtain information is that the mechanisms and logistical schemes used by counterfeiters to produce and distribute their products are constantly evolving and growing in sophistication. Thus, the means used to obtain valuable data regarding the location of warehouses and the means of transportation and distribution should be capable of producing the desired results. Shipping routes should also be a high priority when gathering intelligence.

### 4. File the corresponding legal actions

The information set out above should help you to decide in which direction to target legal action in order to interrupt effectively the process from production, import and storage, through transportation and distribution of the fake and pirated goods to sale to the end consumer.

In this respect, it is important to emphasise that savings in your IP budget should not be made by deciding whether to file an action at all in consideration of aspects such as sales in the relevant territory or the amount of fake products that have been detected.

Although each situation must be assessed on its own merit, it is always imperative to look at the international scenario. For example, even if a certain country is not on your priority list because of low sales or a lack of commercial activities, it must be borne in mind that some territories are used only as transit countries for counterfeit products, so the counterfeits may end up in places that have high priority in your international anti-counterfeiting programme.

However, it is well documented that the latest strategy used by counterfeiters is to send small quantities of counterfeit goods in several courier shipments; this not only minimises the risk of being detected by customs officials, but also reduces the likelihood of facing a criminal action, as counterfeiters believe that IP owners are unwilling to spend money on small cases, preferring to deal with small, tangible losses. Indifference or tolerance towards this type of counterfeit activity by rights holders only encourages others to carry out such activities, as there is apparently no risk, only increased profits.

Looking at it another way, people who invest in security measures (eg, alarms and safeboxes) to protect their valuable assets when crime rates increase are less likely to suffer the loss of valuable goods in comparison to other people who decided not to "waste" money on such measures because of hard financial times. Worst of all, victims of a robbery rarely recover their property.

When dealing with counterfeiting, the most appropriate path to follow may be to reach a flat-fee agreement with your law firm in order to reduce operational costs and expenses without reducing the actions taken against counterfeiting. You need a plan, but such a plan must be followed in order for it to work.

A zero-tolerance attitude to counterfeiters, cemented in a cost-effective and consistent anti-counterfeiting programme, should have a flat-fee agreement as a key ingredient. Your chosen law firm must compromise with you in this respect, and this is precisely where a law firm with reasonable resources should put those funds to work on your behalf.

### 5. Promote and enhance cooperation with the authorities

As mentioned above, your efforts should be directed towards locating the source, supply chain and channels of distribution of counterfeit goods in order to attack them aggressively, whether they are imported or produced locally. However, you will have to disclose information and cooperate with the authorities in order to detect and deal with counterfeit products in a timely manner.

As in so many relationships in life, sometimes you have to improve your communication skills in order to obtain better results. If you want to plan and execute a successful international anti-counterfeiting programme, you should take advantage of all the legal means and assistance made available by the authorities by, among other things, protecting your IP rights, recording them with Customs (where applicable), disclosing and sharing information and providing IP training for customs officials.

The supply chain and distribution channels for counterfeit products are constantly changing, therefore it makes sense to do whatever you can to improve communication with the relevant authorities, notably with Customs, so that they can help you to deal with this problem. In fact, this is important not only to combat the domestic production and distribution of counterfeit goods, but also to combat the introduction (either imported legally or contraband) of foreign-made counterfeits, as once such products enter the country, they become scattered throughout the relevant territory making it much harder to tackle the issue.

The cooperation and trust between private parties and the public sector should

be reciprocal; on receipt of an alert from the authorities, IP owners should be responsive and try to deal with the problem, regardless of the quantities involved in the shipment, to avoid sending a message of indifference or tolerance to the authorities. This would serve only to damage the trust and cooperation between your company and the authorities.

### 6. Deterrence and public awareness campaigns

When considering that IP infringement and counterfeiting activities have global effects, it should also be borne in mind that a rights holder's commitment to enforcing and protecting its rights must be publicised at both the national and international levels.

In this respect, it is important to acknowledge that the people involved in counterfeiting usually see their activities as a business, and thus carry on with it for as long as they perceive that their investment will be profitable and relatively low risk. Therefore, if a rights holder has shown relentless commitment to enforcing and protecting its IP rights, most counterfeiters will be reluctant to exploit that particular brand in comparison to other brands which are not known for enforcing their IP rights.

Consequently, a rights holder should ensure that legal actions are well publicised to reinforce the general perception that the rights holder is relentless in enforcing its IP rights.

## Conclusions

A tailormade international anti-counterfeiting programme is the most efficient tool to combat this serious and growing problem. Such a programme should be directed at reducing the number of counterfeits as a first step, with a long-term objective of restoring the market for original products. High levels of counterfeiting and piracy could be reduced significantly by implementing efficient programmes that include the aggressive enforcement of IP rights.

Fortunately, to combat the risks posed by piracy and counterfeiting, particularly in the middle of the global financial crisis, there are several means available which should be taken into consideration when planning a cost-effective strategy to enforce and protect IP rights. At a minimum, such planning should focus on the recommendations set out above as, in order to deal with this issue effectively, IP owners must first determine the risks and actual threats presented to their businesses by piracy and counterfeiting. As each product and/or service has unique characteristics that should be addressed specifically, this assessment should be done on a case-by-case basis. Once the potential or actual damages caused by counterfeiting activities have been identified, it is mandatory to assess, from a cost/benefit point of view, the results that are to be achieved by designing a comprehensive anti-counterfeiting strategy. This strategy can last for several months or years, or may even be a permanent, ongoing effort based on close collaboration with the relevant government authorities.

The consistent enforcement of IP rights and ongoing protection efforts will eventually lead to positive results. However, even once these goals are reached, rights holders should continue to monitor counterfeits and enforce their IP rights by adopting a zero-tolerance campaign towards counterfeiters. *iam*



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