Lighting the way to worldwide success

Protecting an icon is not easy, especially when the company's entire legal department consists of only one lawyer and his assistant. Luckily, the man in charge of the Zippo brand has developed a system as reliable as the product itself

Brands do not get much more iconic than Zippo. The lighters are known as much for their shape as for their name, associated in the minds of the public with US soldiers during World War II, as well as stars of the silver screen.

The person in charge of protecting the near-legendary product is Charles Jeffrey Duke, general counsel and corporate secretary of the Zippo Manufacturing Company since June 1999. Duke's legal experience was gained over 25 years in positions as varied as city solicitor, district attorney – a job which gave him a lot of exposure to criminal litigation – and private attorney. Duke also represented Zippo periodically before joining the company and kept up with all areas of law that proved to be essential in his appointment. "I have a very inquisitive mind so have always kept up with IP law – trademark and patent primarily – as well as areas such as corporate law and tax law," he says. "In hindsight, this curiosity gave me the perfect background for representing Zippo as general counsel."

Duke believes that Zippo's problems and legal needs differ from those of a large corporation where the chief legal officer is often more specialized in one area that is particularly important for the business. (Despite its worldwide reputation, Zippo has only 800 employees.) "Zippo has the typical problems of a company its size, such as product liability and regulatory issues in various places around the world," Duke explains. "What may be more surprising is the extent of our IP issues." With only one full-time legal assistant to help, Duke spends 40% of his time on IP issues – in particular trademark protection and anti-counterfeiting. However, this is nothing compared to the time he used to spend on intellectual property before Zippo took the decision two years ago to outsource most of its IP work. "The workload was crushing," he confesses. "We desperately needed someone outside to handle all the trademark prosecution work."

But it was not only lack of manpower, but also the need for international experience that led to outsourcing a vast proportion of the trademark work. "Using counsel that has a broad understanding of non-US trademark law is critically important to Zippo because the rules for the protection of trademarks in the United States are considerably different from what they are in the other 160 or so countries we do business in," Duke says. As a result, he selected Faegre & Benson, a firm headquartered in the United States, but with offices in London, Frankfurt and Shanghai, to handle most of Zippo's trademark work. An important factor in Faegre & Benson clinching the deal was its agreeing to work on a fixed fee. Iliana Haleen – a Bulgarian-born US citizen who practises out of Frankfurt – became Zippo's primary outside IP counsel. She coordinates all trademark applications, registrations and oppositions with her colleagues around the world.

Sharing the workload

So while Faegre & Benson handles all filing and prosecution work (or the "nuts and bolts of trademark protection," as Duke puts it), enforcement, in particular against counterfeiting, is usually done by other local firms which vary from one jurisdiction to another (Baker & McKenzie, being an extremely large international firm, is another

firm often used). Duke himself is involved in all strategic or tactical issues that have to do with planning how to protect a mark, how to handle opposition or registration and how to enforce a right. "I would typically be involved in deciding where we should register the three-dimensional shape of our lighters as a trademark, because it is very much part of our strategy of how to protect the brand, how to go about it and how to utilize that protection," he explains. "I need to be kept aware of what is happening because I am the one who will ultimately decide whether to file or not, in which classes and for which list of goods." It is under his supervision that Haleen, her colleagues and associate counsel in various countries will file the marks and follow up each applications.

In-house, Duke coordinates the management of Zippo's intellectual property with the company's global brand director, the head of sales and the president of the company. "I work very closely with our global brand director on issues such as where to file a particular mark or whether to expand a registration to new classes or even whether to file in a new country," Duke explains. "But for matters like oppositions, I would check only whether it's important from a business point of view and then proceed without involving the brand director, the head of sales or the president in the details."

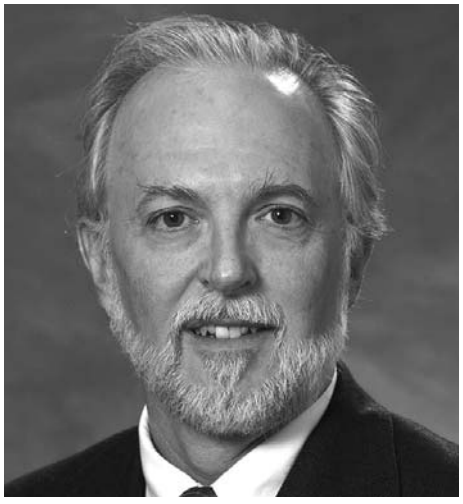
Negotiating the budget

These three people are sympathetic to Duke's budgetary needs as they appreciate the importance of intellectual property in a business like theirs. Duke has $2.5 million a year to protect the company's trademarks (including a good part of the anti-counterfeiting work), which represents about 70% of Zippo's entire legal budget. "This proportion reflects how important our brand is to the business," Duke comments, "but believe me, I could do with a lot more!"

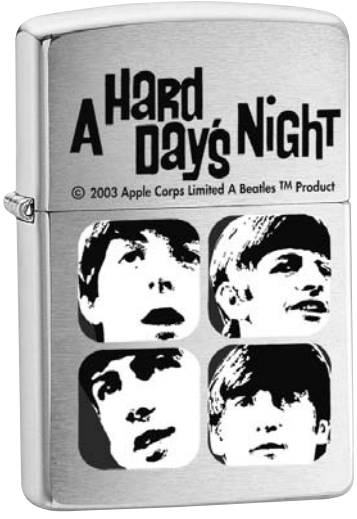
Getting this budget is already a struggle because Duke has to compete with all the other units of the company to share the company's overall operative budget, and everybody gets to see what everybody else gets. "Some other people, especially in the manufacturing side of the business, don't really grasp that intellectual property is the foundation of any modern, western business – it's the value of our brand that allows us to borrow money to build a new factory for instance," Duke says. One of his primary tasks, therefore, is to remind other parts of the business that most of his budget goes towards maintaining the value of the Zippo brand and this is, as he puts it, "like maintaining a very large manufacturing plant".

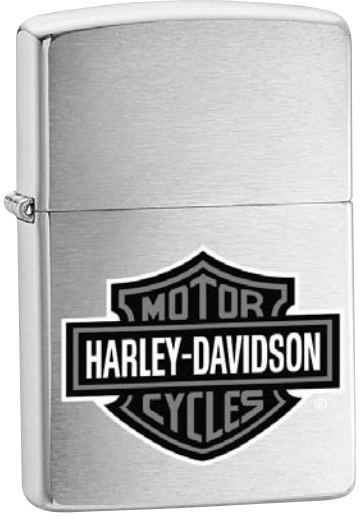
Portfolio

Because Zippo is still a privately owned company, there is no public data on the value of the brand, but Duke describes it as "very significant". It reportedly enjoys an unaided awareness rate of more than 90% – that is, 90 out of every 100 people surveyed have knowledge of the Zippo name and lighter without being coached in any manner. "It always amazes me that people know the Zippo brand so well, even in rural China or India," Duke comments. "This level of recognition gives the brand a good part of its value and



Charles Jeffrey Duke
General counsel and corporate secretary of the Zippo Manufacturing Company







that represents an amazing amount of money."

The core of the Zippo brand portfolio is the Zippo word mark, which is registered in standard script and logo form in around 160 countries. The portfolio also includes three-dimensional marks and design patents. "We normally try to register the standard character word mark first in the classes that are key to our business," Duke explains; the classes being 4, 11, 18, 25 and 34. "Then," he continues, "if the country recognizes three-dimensional marks, we also register the shape of the lighter; the logo comes last, usually for a narrower list of goods." (Classes 18 – leather goods – and 25 – clothing – joined Zippo's list of core classes when Zippo bought DDM Italia in March 2004. The subsidiary is now called Zippo Fashion Italia and is a manufacturer of purses and other small leather goods.)

The problem with registering three-dimensional marks is that it is still on the cutting edge of trademark law and many countries either do not recognize them or do not know how to deal with them. In that regard, Zippo won an important case in India earlier this year (in which Anand and Anand acted for Zippo). A court recognized both the Zippo word mark and shape as well known. It was the first time that an Indian court had recognized a three-dimensional mark as well known.

Not surprisingly, the marks are registered in the countries that are Zippo's primary markets and important emerging markets (Brazil, Canada, the European Union, India Mexico, Russia and the United States), as well as those where a lot of goods transit (Dubai) and those where most counterfeits are produced (China). The marks may also be registered in countries where some Zippo products are particularly popular or where the company has many licensees (Japan). In the latter cases, the scope of the registrations will be much broader.

Zippo (through Faegre & Benson) makes extensive use of the Community trademark (CTM) and Madrid systems. "We love the CTM," Duke enthuses. "It's made our life in Europe so much easier. And the United States joining the Madrid system has helped a lot too." Duke gives his all-hearted support to the growing groups of countries that try to bind together for trademark protection, including the Andean Community efforts in Latin America. "We think they're all very good from a brand owner's perspective."

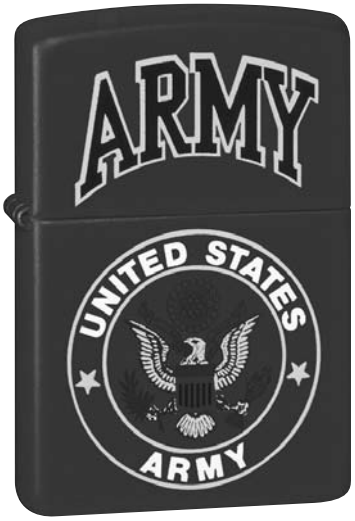
Enforcement

When it comes to enforcing the Zippo marks in opposition matters, the company monitors all applications by third parties for the word 'Zippo' or any similar sounding words wherever in the world it happens. If the application is for the word 'Zippo' itself, the policy is to oppose systematically. If it is a variation – say 'Zeppo' – the company will file an opposition if the application is for one of Zippo's core classes, especially if the applicant is clearly trying to rip off the Zippo brand. But if the application is in a completely different category of goods, Zippo may not oppose it; this is considered on a case by case basis.

On the whole, Zippo's enforcement strategy is elaborated globally but

Below left
Some special edition Zippo lighters
Below right
US military commemorative Zippo lighters







implemented country by country because each country is a little bit different. China is the best example, says Duke. "The combination of weak IP laws and weak legal system, and high volume of counterfeit production is unique and creates a big problem for us," he explains. "So, of course, the way we approach China is different from the way we approach the United States or Europe."

Fighting in China

In fact, China represents by far the biggest enforcement challenge for the company. "China is doing a lot to improve the situation and we appreciate that," Duke says. "But for the present, it is by far the biggest source of counterfeit products, and so our enforcement strategy, as far as anti-counterfeiting goes, focuses on China, which is where we spend the bulk of our anti-counterfeiting budget."

Besides registering the Zippo word mark in many classes, the concrete steps taken in China to protect the brand include seeking registration of the three-dimensional mark and seeking well-known status. "We're clearly very well known in China, but for reasons that elude me we haven't obtained the status yet," Duke says. Zippo also opposes any attempts to register the name Zippo in any class. "We've had that problem where people try to play off the brand by registering it for men's shavers or any other product you can think of," he explains.

Because the three-dimensional mark has not yet been registered, Zippo can seek relief against counterfeiters of the word mark only. Duke has found that using primarily a Chinese law firm and a Chinese investigation agency works better than using an international investigating agency handling everything. "This arrangement may require more day to day attention, but we get better results. In the past year we've raided more factories and seized more product than ever before."The normal course of action from then is for Zippo to seek criminal prosecution of the counterfeiters, but this is very difficult because of the monetary thresholds imposed in IP cases in China. The administrative bodies, such as the State Administration of Industry and Commerce (SAIC) and the Quality and Technical Supervision Bureau (QTSB), that carry out the majority of anti-counterfeiting raids, will only transfer the case to the Public Security Bureau (PSB) for criminal prosecution if the 'illegal operational value' exceeds Rmb50,000 (US$6,350) for an individual and Rmb150,000 for a company; the 'illegal income' exceeds Rmb30,000 or Rmb90,000; the 'sales revenue' exceeds Rmb50,000 or Rmb150,000; and 'quantity' of the counterfeit marks exceeds 20,000 or 60,000. The same thresholds also apply to cases directly handled by the PSB.

Duke is less than impressed by the current thresholds for criminal prosecution. "When China reinstated these thresholds a few years ago I thought it was a step backwards, because they are a real impediment to criminal prosecution – and it has proven to be. Infringers are often sophisticated enough not to keep records or the amounts of infringing products that reach the thresholds." There may be hope, though, in the fact that the Chinese government is now looking at removing the thresholds altogether.

In parallel to criminal charges, Zippo brings civil actions against significant counterfeiters. Duke would consider any manufacturer of counterfeits as a 'significant infringer', regardless of the volume of products seized because seizures are not necessarily indicative of the volume actually produced. For wholesalers or retailers to be considered 'significant counterfeiters' they would need to be in possession of thousands of cans of lighter fuel for instance. "We would pursue criminal actions against them, but the infringers often get away with just paying a fine at the AIC [Administration for Industry and Commerce] level." Zippo has begun to have success with civil enforcement actions, though. So far, Zippo has secured one favourable decision, accompanied by US$50,000 in damages. "This may not sound like much in the United States or Europe, but it is a very significant amount for China," Duke notes.

Boosted by this success, Duke wants to carry on pursuing counterfeiters with both civil and criminal charges. And he has another card up his sleeve. "The best counterfeiters copy our products down to the last details so inevitably they violate one of our patents. So we've just started pursuing patent infringement claims as well as trademark claims. We don't know yet how it's going to be received by the Chinese courts, but I'm hopeful." For issued patents, proving violation should be relatively straightforward; as Duke puts it: "Either they're infringing it or they're not infringing it." His hopes stem in part from his observation that courts are often more willing to enforce patent rights than trademark rights. "It doesn't make a lot of sense to me, but that's my experience," he says.

Becoming an icon

After observing that a friend needed both hands to operate an Austrian-made lighter that would work in any conditions, George G Blaisdell soon thought of a better design. Keeping the Austrian design of the chimney, which protected the flame under adverse conditions, Blaisdell designed a rectangular metal case to which he added a hinged top. The result was a lighter that looked good and was easy to operate. He also coined the name Zippo the same year – 1932 – because he liked the sound of the word 'zipper', which was a recent invention; Blaisdell played with different variations of the word and settled on Zippo.

The Zippo Manufacturing Company produced its first lighter in early 1933, offering from day one an unconditional lifetime guarantee: "It works or we fix it free." Blaisdell applied for the first US patent for his lighter on May 17 1934 (granted on 3rd March 1936). A second patent was issued on August 1 1950. The design of the Zippo lighter basically remains the same to this day, with minor improvements.

Apart from the obvious attraction of the combination of reliability and attractive style, the main factor to making the Zippo brand an icon was the fact that upon the entry of the United States in World Word II, the Zippo company dedicated its entire production capacity to supplying the US army. Millions of US military personnel then carried the lighter into battle throughout the world.

Zippo lighters have also appeared in 1,500 movies, stage plays and television shows over the years. In parallel, Zippo became increasingly linked to other famous US marks, such as Harley Davidson and Playboy through a series of licensing agreements. From the 1960s, Zippo also began to become associated with the music scene, as fans raised Zippos to salute favourite performers – a gesture later dubbed the 'Zippo moment'. The famous Zippo click sound has been sampled on songs and the lighters themselves have been featured on album covers, tattooed on rockers' skin and wielded in *Rolling Stone* photo shoots.

All this contributed towards making Zippo lighters highly collectable items. There are four million Zippo collectors in the United States alone and collector swap meets are organized every other year in the United States and Japan.

Licensing

Licensing means big business for the Zippo Manufacturing Company, which has used other parties' trademarks on its lighters since the mid 1930s

One person in the marketing department is dedicated solely to:

- licensing other brands for use on the lighters (eg, John Deere, Harley Davidson And Rolling Stone), which vary from country to country; and
- licensing the Zippo brand, in particular in Japan (where it is licensed for use on clothing and watches, among other things) and China (where it is licensed for a narrower lists of goods).

The traditional mechanisms are in place to guarantee that the Zippo marks are used correctly:

- Zippo provides licensees with a book on how to use the marks.
- Any use of the Zippo brand has to be approved at the company headquarters by the licensing department. The licensing department may consult with Charles Jeffrey Duke, the company's general counsel, if any particular legal question arises.
- Acceptable forms of the marks are downloaded by licensees through a secure website.

Quality control of the products for which the Zippo mark is licensed is outsourced.

Protecting Zippo online

Another hotbed of counterfeit Zippo lighters is the Internet, in particular auction sites. eBay itself is relatively controlled because Zippo spent several years working with the company before the implementation of the Verified Rights Owners programme. "However," Duke says, "the very nature of the Internet and auction sites means that they cannot be totally controlled, especially as many new sites keep on sprouting in new places."

Duke employs various people across the world on a contractual basis to monitor auction sites and the Internet. Auctions are closed every day, but spotting counterfeits is not easy. "Some counterfeits are of very high quality so it's often impossible to tell from just looking at an auction page whether it's the real thing or a fake. If we suspect it's a counterfeit we have to purchase a product and then wait for the same seller to come up again."

The other important problem Zippo has online is with cybersquatting. Duke is not entirely satisfied with the tools at his disposal to fight this. "We can control use of the Zippo name in domain names in the United States pretty well, thanks to the Anti-cybersquatting Consumer Protection Act," he says. "But the multiplication of domains – country-code, sponsored top-level domains – and the dispute resolution policies that come with them make managing domain names incredibly difficult. We try to control the use of the name Zippo in domain names as best as we can, but we can't control it 100%."

Looking forward

One of the most important cases pending for Zippo is one filed against Chinese defendants in the United States with the International Trade Commission (ITC) – an independent US federal agency that deals, among other things, with unfair trade practices involving IP rights and imported goods. The ITC may issue two types of remedial orders – exclusion orders and cease and desist orders. Exclusion orders direct the US Customs to exclude articles from entry into the United States. A cease and desist order directs a respondent in the ITC investigation to cease its unfair acts, including selling infringing imported articles out of US inventory. Cease and desist orders are enforced by the ITC.

Zippo is in the process of submitting the final documents to the ITC after it settled with two of the defendants. As the other defendants failed to appear at the hearing, Zippo obtained a full judgment and Duke expects a decision in Zippo's favour by the end of the year.

Duke thinks this case is important because, even though it is litigated in the United States (by Kevin O'Brien of the Washington DC office of Baker & McKenzie), it has received a lot of publicity in China. Duke hopes this will curb some of the counterfeiters' enthusiasm to ship their products to Zippo's home country. The case is also emblematic of what enforcing a brand worldwide involves. "There was a lot of misunderstanding with the two defendants we eventually settled with, mainly because of the language barrier but also because of the legal concept barrier." Duke warns all companies doing international business that they should be aware of all these cultural differences. Even the difference between common law countries and statute law countries in developed economies can be surprising. "To avoid the trap of cultural differences it is important to find a firm that has the international experience required for your business," Duke concludes.

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