



# Anti-counterfeiting and Online Brand Enforcement: Global Guide

2023

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Now in its 16th year, The Anticounterfeiting and Online Brand Enforcement: Global Guide combines the latest strategic analysis with practical, country-by-country exploration of the best protection around the world, enabling brand owners to stay one step ahead of the counterfeiters.

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**Generated: June 26, 2024**

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# Evaluating corporate anti-counterfeiting efforts after the pandemic

**Helena Rother**

INTA

## Summary

COUNTERFEITING ON THE RISE

COMPANIES PRIORITISE COUNTERFEITING... BUT FACE CONSTRAINTS

INCREASING RESOURCES

OUTSOURCING ACTIVITIES

COLLABORATING

ADOPTING NEW TECHNOLOGIES

CUSTOMISABLE SOLUTIONS

“Anti-counterfeiting efforts have unfortunately become a cost of doing business.” This was a comment left by a respondent participating in an International Trademark Association (INTA) survey for its recently released 2023 Anti-counterfeiting Benchmarking Report. It is aptly put and highlights how the need for companies to engage in anti-counterfeiting efforts is now unavoidable. No doubt, the last three years have introduced various economic and technological changes that have greatly affected the global counterfeiting landscape.

The evolving environment that brands operate in today can be a catalyst for companies and law firms to increase the resources they devote to anti-counterfeiting, embrace collaboration and experiment with new technologies. Drawing on the Anti-counterfeiting Benchmarking Report, we explore below the innovative methods companies can employ to fight counterfeiting in this new climate.

We will consider how counterfeiting itself has evolved in recent years and how companies are responding, highlight unexplored and under-explored opportunities for companies to adapt to the new counterfeiting landscape and provide some guidance for how companies can employ customised anti-counterfeiting solutions.

## **COUNTERFEITING ON THE RISE**

In the final quarter of 2022, INTA surveyed its international corporate membership In-house legal teams at geographically diverse companies of various industries and sizes. The survey revealed that counterfeiting is becoming a pernicious issue for most companies. Nearly two-thirds of respondents observed that anti-counterfeiting work has increased since the start of the pandemic. While respondents gave various reasons for this, over three-fifths directly attributed the increase in the volume of anti-counterfeiting work to the pandemic and the economic downturn. As one respondent lamented: “[There has been] a spectacular increase of fraud attempts online during the pandemic.” Recent economic, political and technological changes such as supply chain crises, the growth of online marketplaces, the legalisation of marijuana in certain US states, and more, have also created a favourable environment for counterfeiters to expand their operations.

## **COMPANIES PRIORITISE COUNTERFEITING... BUT FACE CONSTRAINTS**

The large majority of companies believe that counterfeits have become a larger issue than five years ago. More than 60% of respondents said counterfeits are either a much larger or slightly larger issue now than five years ago. Less than 8% say counterfeiting is a slightly smaller or much smaller issue. Companies of all types are working to step up to the evolving counterfeiting challenges. However, less than half of respondents classified their anti-counterfeiting programme as “very impactful”.

Why are companies unable to successfully combat counterfeiting when they recognise the severity of the issue? In short, companies are by-and-large limited by budgetary constraints. Investments in both financial and human capital investments for anti-counterfeiting initiatives are lower than desired for most companies. The survey observed startling percentages: slightly more than half of respondents argued that their organisation invested too little money in anti-counterfeiting initiatives. Close to 60% of respondents believed that their company invested insufficient human resources into anti-counterfeiting efforts.

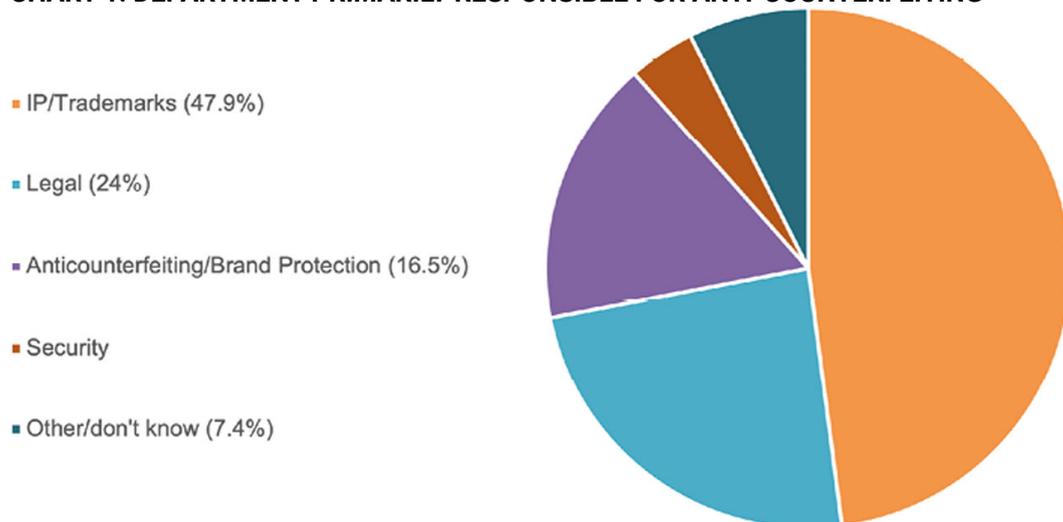
## **INCREASING RESOURCES**

The most straightforward solution is the need to invest more resources and staff into anti-counterfeiting activities. This would help with the workload that has increased because of the pandemic. One survey respondent, who in fact perceived counterfeiting decreasing in their organisation's priorities, claimed that this was only due to their "heavy and constant investment in [their] anti-counterfeiting program[me] over the last five years."

One way that resources may be increased is to have a dedicated anti-counterfeiting department with the ability to set the budget for anti-counterfeiting initiatives. The status quo presented in the Anti-counterfeiting Benchmarking Report was that the departments responsible for the anti-counterfeiting budget often do not engage in anti-counterfeiting activities. In addition, anti-counterfeiting responsibilities are at present often shared by multiple departments, which may increase hurdles to efficiency in collaboration.

Indeed, organisational changes can increase the ability of organisations to fight counterfeiters. One survey respondent suggested that hiring an IP counsel brought visibility to online and offline counterfeiting threats. Having dedicated teams for individual brands can also help organisations better allocate resources to anti-counterfeiting. Another survey respondent noted that, "once the team began focusing entirely on our brand, we saw an increase in counterfeit detections which in turn has increased our efforts in this area."

#### CHART 1: DEPARTMENT PRIMARILY RESPONSIBLE FOR ANTI-COUNTERFEITING



Source: 2023 Anti-counterfeiting Benchmarking Report (INTA)

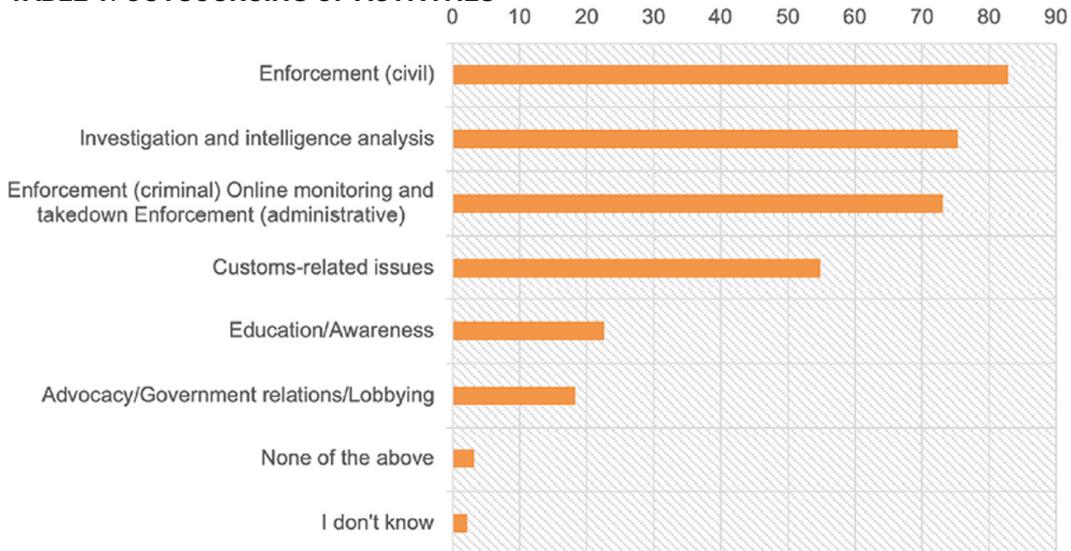
However, respondents expressed that extreme increases in anti-counterfeiting budget and large growth in personnel working on anti-counterfeiting initiatives were unlikely. When asked about plans for the next one to three years, about four out of 10 respondents said they expect investment in money and human resources to remain the same, while slightly fewer said they expect slight increases.

#### OUTSOURCING ACTIVITIES

With the internal resource constraints in mind, organisations also rely heavily on outside counsel and other service providers to implement their anti-counterfeiting strategies. More than half of the survey respondents said their organisation outsources key anti-counterfeiting activities.

While advocacy and government relations are less likely to be contracted out, organisations often outsource enforcement and customs-related issues. According to one respondent, protection provided by Customs at the borders was cited as a key element of the organisation’s anti-counterfeiting strategy. Interestingly, this respondent also said that when the protection provided decreased for political reasons, the organisation was less able to fight counterfeiting.

**TABLE 1: OUTSOURCING OF ACTIVITIES**



Source: 2023 Anti-counterfeiting Benchmarking Report (INTA)

**COLLABORATING**

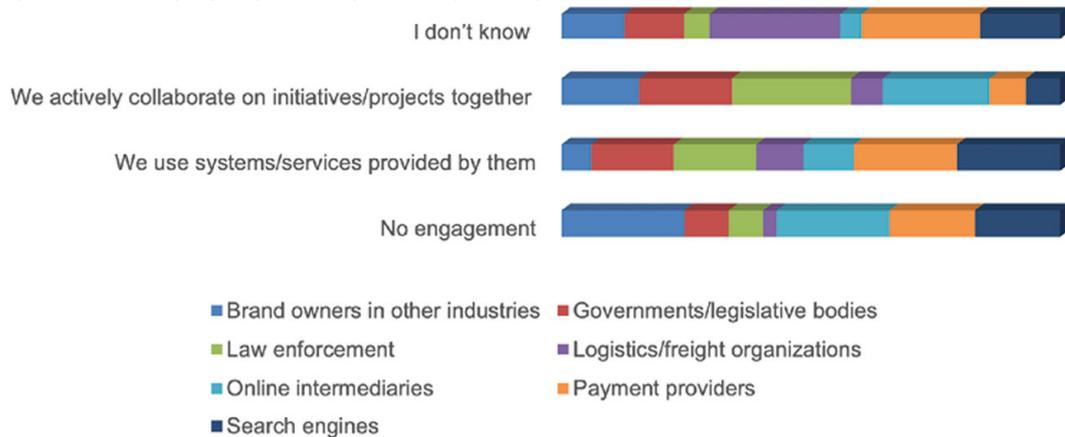
One way to be resourceful in anti-counterfeiting is to collaborate with other stakeholders – and organisations are doing just this. Key partners include other brand owners (of the same and other industries), legislative bodies, law enforcement, logistics organisations, online intermediaries, payment providers and search engines. Half of the survey respondents described their approach here as a mix of reactive and proactive collaboration, with the former coming about following an issue or event that relates to all parties and the latter being mostly unrelated to specific issues or events. Of the rest, slightly more described collaboration as reactive rather than proactive.

The data suggests that in-house legal teams work closely with law enforcement and government/legislative bodies. However, collaboration with brand owners in their same industry, brand owners in other industries, logistics/freight organisations, and payment and search engines is lacking. Just over half of all respondents said their organisation collaborates with other brand owners in anti-counterfeiting matters either frequently or very frequently, while a further two-fifths collaborate less often. In addition, more than one third of respondents reported no collaboration with brand owners in other industries.

A similar proportion said they do not collaborate with logistics/freight organisations and payment providers. Moreover, information about whether and to what extent in-house legal teams are collaborating with other stakeholders to fight counterfeiting remains low. Survey respondents expressed a high degree of uncertainty about whether they collaborated with various stakeholders. Reasons given for not collaborating include a lack of access to people

in charge of anti-counterfeiting activities and lack of awareness about opportunities for collaboration.

## CHART 2: ENGAGING WITH STAKEHOLDERS



Source: 2023 Anti-counterfeiting Benchmarking Report (INTA)

Responding to the survey question, “What do you think has caused the issue of counterfeits to decrease in your organisation’s priorities?” multiple participants emphasised relationships with stakeholders. One respondent declared that: “Collaboration with online platforms has proven to be the most successful way to combat counterfeiting online.” This suggests that, in certain situations, collaboration with others can have a significant impact even when increasing resources is not feasible.

INTA provides a forum for collaboration among various stakeholders involved in combating counterfeiting. The Association’s global anti-counterfeiting network includes various external stakeholders, including:

- industry, which can play a key role in helping governments better understand the practical implications of policy and legislative decisions;
- police, prosecutors and the judiciary on the enforcement front;
- intermediaries and online marketplaces;
- investigators hired by brand owners to identify counterfeiters and to collaborate with police; and
- legislators, working to strengthen anti-counterfeiting laws and empower enforcement officials.

The Anti-counterfeiting Benchmarking Report survey asked what INTA could do to support corporate members’ anti-counterfeiting and brand-protection efforts. Respondents called for increased cooperation with each other and with additional key stakeholders, especially in the e-commerce realm.

Because of the conservative predictions of large-scale changes in budgetary increases or technology uptake, there exists a need for creative and proactive solutions to combat the growing threat of counterfeiting. As highlighted, for organisations who believed their anti-counterfeiting programme to be impactful, stakeholder engagement made a difference. Most organisations plan to engage with a variety of stakeholders in the future. However, there is also a degree of uncertainty about whether engagement will occur, especially

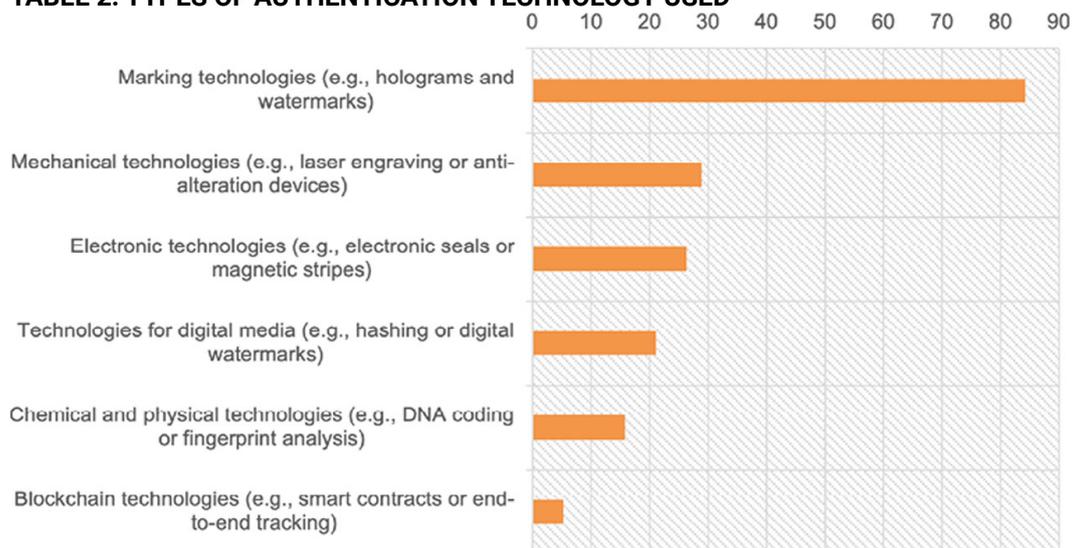
among logistics/freight organisations, payment providers and search engines. To strengthen counterfeiting initiatives, it would be beneficial for organisations to have plans in place to collaborate with a multitude of stakeholders. Especially as counterfeits move to new spheres, like online marketplaces, brands must constantly evaluate if they are collaborating with the correct partners with sufficient frequency.

Key hurdles to collaboration include lack of access to people in charge of anti-counterfeiting activities and lack of awareness about opportunities for collaboration. Brand owners—and indeed all stakeholders—are encouraged to be more proactive in reaching out to each other. INTA is proud to provide a variety of venues for different stakeholders to come together, to benchmark and collaborate. This includes at the Anti-counterfeiting Workshop that takes place every year as part of the annual meeting.

### ADOPTING NEW TECHNOLOGIES

Authentication technology can be an indispensable anti-counterfeiting tool, especially for those operating with budget and resource constraints. Traditional technologies, based on marking, mechanics or electronics, proved to be most popular types used for authenticating goods and services among survey respondents, while chemical/physical technologies and those using blockchain are used by very few respondents.

**TABLE 2: TYPES OF AUTHENTICATION TECHNOLOGY USED**



Source: 2023 Anti-counterfeiting Benchmarking Report (INTA)

Dramatic changes in technology uptake are unlikely to occur: less than one fifth of respondents claimed that their organisation had concrete plans to increase their technology uptake in the next one to three years. Moreover, 30% of respondents mentioned only vague plans to institute additional anti-counterfeiting technology in the next one to three years. Many respondents were unsure on this front – more than a quarter of respondents said they were not aware of plans to institute additional anti-counterfeiting technology in the next one to three years.

While organisations are using technology to combat counterfeiting, brand owners will likely have to become more sophisticated in using and developing anti-counterfeiting technology tools, including those based on blockchain and AI, to combat growing and increasingly sophisticated threats.

## CUSTOMISABLE SOLUTIONS

It is clear that anti-counterfeiting efforts have become a cost of doing business. Many companies are responding by allocating significant resources to fight counterfeits, utilising technology and working closely with key stakeholders.

However, the ever-increasing sophistication of counterfeiters means that more must be done to combat the scourge of fake goods entering the market. Unfortunately, the survey suggested that many organisations do not foresee extreme increases in anti-counterfeiting budgets and/or large growth in personnel working on anti-counterfeiting initiatives. Additionally, dramatic changes in technology uptake are unlikely to occur.

At the same time, anti-counterfeiting strategies are not a one-size-fits all effort. Solutions must be customised. Companies must consider how their anti-counterfeiting strategies can fit the unique characteristics of their industry sector, their geographic region, the size of their organisation and more.

Companies must embrace creative solutions such as increasing how frequently they collaborate with external parties, utilising new and unique technologies, and allocating budgets to solutions customised to the specific circumstances they find themselves in. If these solutions are employed, the changing economic and technological landscape can serve as a catalyst for companies to develop new anti-counterfeiting strategies and for law firms to develop new offerings for their clients. One survey respondent put it this way: “We need a paradigm shift amongst all stakeholders. Unless and until that happens, our current efforts will not yield enough results.”

INTA's [2023 Anti-counterfeiting Benchmarking Report](#) provides a detailed analysis of how companies, different in type, size and location, are working to tackle the issue. Findings are segmented to show trends among groups by organisation size, geograph, and more. By seeking out solutions that fit their individual characteristics, organisations can design more effective anti-counterfeiting programmes in the new and ever-changing counterfeiting landscape.



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# Securing your online brand: A step-by-step guide to conducting a comprehensive brand risk assessment

**Tim Brown**

Com Laude

## Summary

**INTRODUCTION**

**SUMMARY AND CONCLUSIONS**

## INTRODUCTION

In today's ever-evolving digital landscape, brands encounter myriad risks online, encompassing trademark infringement, counterfeiting, online scams, malware distribution and phishing attacks. While attention often shifts towards headline-grabbing technologies like the metaverse, web3, blockchain and NFTs, it is essential to remember the enduring significance of domain names as a primary gateway for brand visibility and customer interaction.

Effective domain portfolio management is a frequently underestimated element of brand protection, despite its pivotal role in supporting a brand's online presence. With the ever-changing nature of the domain name space, brands often face challenges in keeping up with these developments and adjusting their online strategies accordingly.

One of the key concepts is understanding the distinction between first-party and third-party domains.

First-party domains refer to the domains directly owned and controlled by the brand itself, representing its official online presence. These domains are crucial for building brand reputation, fostering customer trust and delivering a consistent brand experience.

On the other hand, third-party domains are owned by external entities but may contain brand-related content, including unauthorised use of trademarks, counterfeit goods, misleading information or even malware and other criminal content.

## DOMAIN NAMES – A BRIEF INTRODUCTION

The domain name system (DNS) was introduced in 1985. The DNS revolutionised the way users interact with the Internet by replacing cumbersome IP addresses – like 94.199.146.95 – which servers use to communicate, with user-friendly domain names that are easier to remember and type into a browser. The DNS was designed to make internet services easily discoverable and accessible.

In the early days of the commercial Internet, the domain name space was relatively limited, with just a handful of top-level domains (TLDs) such as '.com', '.org' and '.net'. However, as the Internet quickly gained traction and businesses and individuals rushed to establish their online presence, the demand for domain names skyrocketed.

Recognising the need to expand the domain name space to accommodate the growing naming system, the Internet Corporation for Assigned Names and Numbers (ICANN) was established in 1998 in California. ICANN, alongside the Internet Assigned Numbers Authority (IANA), were made responsible (among many other things) for root zone management in the DNS.

In plain English, this means that ICANN is responsible for the TLDs that appear at the right-hand side of the domain names in your browser's address bar.

Over the years, ICANN has overseen several rounds of TLD expansions, introducing new generic top-level domains (gTLDs) to cater for specific industries, interests and geographic locations. The first new TLDs were added to the root in around 2001. These included spaces like '.biz', '.info' and '.museum'.

The process of adding new spaces was not entirely straightforward and so ICANN looked in detail so new domains could be added to the root quickly and easily. The result was the new gTLD programme which came about in 2012 and which saw about 1,400 new TLDs being added to the root. These are known as 'new' gTLDs (even though many are now over ten years old).

While ICANN is responsible for a huge part of the domain name space; its responsibility only covers gTLDs. Brand owners must also consider country-code top-level domains (ccTLDs). These are domain name spaces that represent individual countries or territories. They typically consist of two letters that correspond to the country's International Standards Organisation's (ISO) two-character country codes (encompassed by ISO3166-1).

As is always the case in the domain name space, there are exceptions. For example, the ISO's country code for Great Britain is 'GB'. But, back in the 1980s the Joint Academic Network (also known as JANET, which now operates '.gov.uk') had its own domain name system called the Name Registration Scheme, which used '.uk' in its naming format. Early Internet adopters were therefore used to '.uk' and so it remained, rather than the ISO's '.gb' being adopted.

In addition to denoting geographic origin, ccTLDs often have specific policies and regulations set by the respective country's domain name operator. These policies can include restrictions on who can register a domain name under a ccTLD, requirements for local presence or documentation, and rules regarding trademark protection. Keeping on top of these shifting rules and regulations quickly becomes extremely complicated.

Today, the domain name space is a dynamic ecosystem encompassing hundreds of gTLDs, ccTLDs, sponsored, community and brand TLDs. And it continues to evolve and develop as new technologies and trends emerge, including blockchain-based domains, decentralised web platforms and alternative non-ICANN controlled DNS systems.

## **EFFECTIVE FIRST-PARTY DOMAIN NAME MANAGEMENT**

Given this background of hundreds of top-level domain name spaces and a shifting regulatory environment, brands often have difficulties maintaining an effective domain name portfolio that is fit for purpose. A poorly managed, misdirected portfolio is entirely at odds with best practice for effective brand protection and security. Equally, maintaining a large and unnecessary portfolio wastes resources, both in terms of time and money.

As businesses evolve and expand, it is essential to ensure that the domain portfolio aligns with these evolving needs. Just as business strategies adapt to changing market dynamics, an effective domain portfolio should reflect the growth and transformation of the brands it protects.

### **A BLOCKING PORTFOLIO?**

Registering and blocking every conceivable domain variant as a defensive measure is not only outdated but also costly.

Firstly, as outlined above, the domain name space has expanded significantly over the years. This means that the number of potential domain variations has multiplied, making it virtually impossible to register and block every conceivable variant. The sheer volume of domain names that would need to be registered and maintained simply makes this old-fashioned approach impractical and financially prohibitive.

Secondly, any such defensive strategy does not effectively address the evolving tactics of malicious actors. Cybercriminals are adept at quickly adapting and creating new variations to bypass these traditional defensive measures. In effect, attempting to block every possible domain variant becomes a never-ending and futile task, as new variants and combinations emerge.

### **WEED OUT OBSOLETE DOMAIN NAMES**

One common challenge faced by all brands is the accumulation of 'dead wood' in their domain portfolios. These are obsolete domains that are no longer actively used or necessary for supporting brands. Think domain names reflecting advertising straplines that have long been discontinued; brands that no longer exist or domain names registered in irrelevant spaces.

These unused domains clutter the portfolio, creating potential confusion and presenting security risks. Moreover, domains that do not resolve or lead to irrelevant content can confuse or frustrate users and potentially be exploited for malicious purposes.

In terms of the latter, it is relatively easy to spoof a domain name so that it appears that email has been sent from that domain. Spoof email addresses can be used for all sorts of criminality. These attacks are far more effective if carried out through the targeted brand's own, unused, domain names.

### **COMMON TYPES OF DOMAIN CRIMINALITY**

- **Phishing:** Cybercriminals use spoof email addresses to send fraudulent emails that appear to be from legitimate sources, such as banks, e-commerce platforms or government agencies. These emails often trick recipients into providing sensitive information like passwords or credit card details that can then be further exploited for financial fraud or identity theft.
- **Business email compromise (BEC):** Spoof email addresses are commonly employed in BEC scams, where attackers impersonate executives, partners or suppliers to trick employees into performing fraudulent financial transactions. These often involve wire transfers, invoice manipulation or redirecting funds to attacker-controlled accounts.
- **Malware distribution:** Spoof domains are used to distribute malicious attachments or links that, when opened or clicked, instal malware on the recipient's device. This grants unauthorised access to sensitive data, allows remote control of the device or is used to launch further cyberattacks.
- **Advance fee fraud:** Also known as 419 scams (419 refers to the section of the Nigerian Criminal Code that deals with fraud; these types of fraud having originated in Nigeria), these attacks involve convincing victims to send money or provide personal information in exchange for a promised reward or financial benefit. Again, spoof email addresses are commonly used to initiate communication and build trust with the victims.
- **Harassment or impersonation:** Spoof domain names can be used to harass individuals, tarnish reputations or impersonate executives and other staff members for malicious purposes. This can include sending threatening or abusive messages, spreading false information or carrying out targeted harassment campaigns.

'Dead wood' or obsolete domain names should be considered for lapsing or at least the domain name manager should ensure that appropriate email authentication protocols are implemented. These measures included the application of protocols like Sender Policy Framework (SPF), DomainKeys Identified Mail (DKIM), and Domain-Based Message Authentication, Reporting and Conformance (DMARC). These protocols help verify the authenticity of incoming emails by checking the sender's domain against the authorised email servers.

### **CONSOLIDATION OF SUPPLIERS**

Managing a domain portfolio becomes even more complex when different providers are involved for registrar services (RSP), SSL certificates and nameservers (NS).

Successful brands enlist the help of a reputable company specialising in domain portfolio management. Such companies have the expertise and tools to streamline portfolio management, ensure security compliance and provide valuable guidance based on industry best practices. Such companies work for brand holders' interests (rather than against them) to assist in rightsizing and regularly clearing the portfolio, identifying redundant domains and optimising the brand's online presence.

By utilising the expertise of a reputable domain management company, brands can optimise their portfolio, allocate resources more efficiently, make sure the domain portfolio shows a demonstrable return on investment and ensure brands are defended online while deploying modern security and marketing best practices.

### **THE JIGSAW APPROACH TO BRAND PROTECTION**

As we have discussed, there are myriad ways in which criminals exploit online spaces to attack brands. To effectively manage these risks, brands must employ a variety of methods for identifying potential threats. Chief among these is the need for a proactive brand monitoring service.

Brand protection requires a comprehensive and multifaceted approach to effectively safeguard intellectual property. Relying on a single provider for all aspects of brand protection may not yield the desired results. Instead, employing a jigsaw of service providers who excel in their respective areas, such as social media monitoring or domain name monitoring, is most effective.

Experience has shown that different facets of brand protection necessitate specialised knowledge, tools and techniques to identify and address specific risks. For example, social media monitoring involves tracking brand mentions, detecting counterfeit accounts and mitigating reputational risks arising from user-generated content. On the other hand, domain name monitoring focuses on identifying and prioritising domain-related infringements, cybersquatting and the myriad domain-related threats outlined above.

By utilising best-in-class service providers for each area, brands can harness the expertise and tailored solutions required to tackle the unique challenges posed by different platforms and mediums. Social media monitoring specialists possess the necessary tools and algorithms to navigate the vast landscape of social networks effectively. Similarly, marketplace monitoring requires specialist knowledge. It follows that domain name monitoring experts have in-depth knowledge of domain name registrations, trademarks, and legal and administrative processes.

Collaborating with multiple providers also offers the advantage of diverse perspectives and insights. Different providers bring their unique skill sets, technologies and methodologies, ensuring a holistic and robust brand protection strategy. This allows for comprehensive coverage, increased accuracy and more targeted responses to infringements or risks, which results in a better return on investment.

Ultimately, this jigsaw approach to brand protection acknowledges that no single provider can excel in every aspect of brand protection.

### **AUTOMATION ANSWERS THE PROBLEM...**

Traditionally, domain name monitoring consisted of detecting and reporting newly registered domain names that potentially infringe the monitored brand.

However, simply gathering and presenting basic data is insufficient in today's fast-paced digital landscape. Brands must go beyond data collection and focus on assessing and evaluating the identified risks. This is critical to avoid an unfocused scattergun approach to reporting and, ultimately, enforcement.

Given the growing number of domain names in the domain name space and the variations of possible attack, it is almost impossible to manually keep on top of more than a few dozen potentially infringing domain names. Equally, as soon as a manual report is produced, it is out of date. Domain names will have dropped. New domain names configured. Configurations changed, so that previously inactive domain names have gone live and, indeed, vice versa.

So, to bring about a cost-effective return on investment, data collection, presentation and prioritisation must be automated through the effective deployment of brand-specific algorithms and artificial intelligence. These technologies enable brands to analyse vast amounts of data, identify patterns and detect potential risks more efficiently. Automated systems can process data in real-time, enabling timely responses and reducing the risk of overlooking critical threats.

### **...AT LEAST IN PART**

While automation can significantly enhance risk assessment, the final enforcement decision should involve human judgement. Automated enforcement solutions may do the heavy lifting of identifying potential risks, but every enforcement decision requires human intervention.

It is crucial for brands to strike a balance between automated risk assessment and human decision-making, as overreliance on automated enforcement solutions can lead to unintended consequences.

For instance, when dealing with loyal fans or genuine resellers who may unintentionally infringe intellectual property rights, a human touch is necessary to make fair and proportional decisions.

Algorithms may not always understand the nuances of each situation and may inadvertently target legitimate entities or escalate minor issues. It is very important after all to avoid the 'Streisand effect'.

The Streisand effect refers to the unintended consequence of attempting to suppress or censor information that results in unintended attention and public interest in the very information that was meant to be hidden or suppressed. The phenomenon is named after a

2003 incident involving the American singer Barbra Streisand, where her attempt to suppress photographs of her house ended up drawing far more attention than if she had taken no action!

Therefore, human judgement is essential to ensure that enforcement actions are appropriate and aligned with the brand's overall objectives.

### **PRIORITISE, PRIORITISE, PRIORITISE**

Prioritisation is a hugely important element of effective brand protection. Not all risks carry the same level of threat, and brands need to prioritise their enforcement efforts accordingly. Adopting targeted and smart enforcement strategies yield better results than relying solely on the scattergun approach of aggressive and very broad enforcement measures.

By focusing resources on high-priority risks – using a combination of automation and human insight – brands can maximise their impact and demonstrate the most effective return on investment.

### **COMBINE FIRST-PARTY AND THIRD-PARTY STRATEGIES**

Having discussed first-party and third-party domain names, it is important to ensure that brands have a joined up strategy for both. This is an often-overlooked element of effective online brand protection. Frequently, responsibility for the technical aspects of managing a domain name portfolio and intellectual property enforcement lie with different functions. But one cannot exist in isolation from the other.

Therefore, developing and implementing joined-up risk mitigation strategies across both first-party and third-party domain names is critical. Working with a reputable CDM provider can greatly assist in policy development and implementation.

To begin with, it is essential to identify any gaps in the domain portfolio. This means evaluating the brand's online presence and assessing whether all relevant domains are registered and actively managed. Gaps may arise due to missed registrations – either in gTLDs or ccTLDs – expiration of domains or the emergence of new brands. By regularly conducting thorough analyses, brands can identify potential vulnerabilities and take proactive measures to fill these gaps.

In addition to addressing gaps, it is important to ensure that the domain portfolio is functioning properly. This involves regular monitoring and evaluation of all domains to ensure they are actively serving their intended purpose. Domains that are not effectively utilised or no longer relevant may create opportunities for criminals to exploit them for the fraudulent activities noted above. By regularly assessing the performance of each domain and addressing any issues promptly, brands can minimise the risk of exploitation.

Equally, registration policies should be planned and implemented, encompassing domain registration, management and renewal guidelines. These should be considered alongside the strategy and procedure for handling potential infringements and unauthorised use of the brand's intellectual property. In other words, any policies must align registration and enforcement activities.

### **MAKE THE MOST OF THE PORTFOLIO**

As well as making sure that every domain name in a portfolio is pulling its weight by directing customers to legitimate active content, it is important to ensure that domain names recovered through enforcement or acquisitions are put to use.

Recovered domain names can be valuable assets in brand protection efforts. Instead of leaving these domains dormant, brands can redirect them to educational resources or designated landing pages that provide information about the brand, its genuine products or services, and guidelines for consumers.

Criminals will often promote scams through social media or direct messages (say, in smishing attacks) that lead to infringing domain names. Once these domain names have been recovered, criminals will rarely – if ever – clean up any references to domain names on these channels. This can lead to a valuable long tail of references on social media, etc, to recovered domain names. Best practice is to use this traffic to educate and inform. This proactive approach not only helps educate users but also prevents potential confusion or any further misrepresentation.

### **MONITORING TO SHOW A RETURN ON INVESTMENT**

Monitoring and reviewing brand protection efforts are crucial to stay ahead of evolving threats and ensure the best return on investment (ROI) for enforcement activities. The dynamic nature of the digital landscape necessitates continuous assessment and adaptation to effectively protect brand assets.

To demonstrate the value of brand protection efforts, it is essential to measure the ROI. Tracking metrics such as traffic through recovered domains, reduction in counterfeit sales or customer feedback can provide insights into the effectiveness of the brand protection strategy. By quantifying the impact of their actions, brands can justify the resources allocated to brand protection and make informed decisions on future enforcement strategies.

The online space is constantly shifting, with new technologies, platforms and trends emerging regularly. It is essential to monitor these developments and evaluate their potential impact on brand protection strategies. By staying informed about the latest threats and trends, brands can proactively adjust their systems and methodologies to effectively address emerging risks. This may involve reviewing and updating monitoring tools, enhancing security measures and adjusting enforcement strategies to align with evolving online behaviours.

In addition to monitoring external changes, it is equally important to regularly assess the effectiveness of brand protection efforts. This involves evaluating the ROI on enforcement activities to ensure that resources are allocated optimally and generate positive outcomes. By measuring the impact of enforcement actions, brands can determine the effectiveness of their strategies and make informed decisions about resource allocation.

To assess ROI, brands should track a variety of metrics, such as the number of infringements detected and resolved, measuring DNS traffic to recovered domain names, alongside assessing the overall impact on brand reputation.

This data provides valuable insights into the effectiveness of enforcement efforts and helps identify areas for improvement or reallocation of resources. Regular review and analysis of these metrics allow brands to optimise their brand protection strategies and allocate resources more efficiently.

The domain name space is dynamic and ever-changing, and monitoring and reviewing brand protection efforts must be an ongoing process, rather than a one-off exercise. By establishing a regular review cadence, brands can ensure that their systems and methodologies remain up to date and responsive to the latest challenges. This may involve periodic audits, engaging in proactive threat intelligence gathering and seeking feedback from stakeholders within and outside the organisation.

Collaboration with internal and external stakeholders is crucial for effective monitoring and review. Internal teams, such as legal, marketing and IT, should collaborate closely to share insights, identify potential gaps and align strategies. Externally, partnerships with brand protection service providers, industry associations and law enforcement agencies can provide valuable resources and expertise for monitoring and reviewing brand protection efforts.

### **SUMMARY AND CONCLUSIONS**

In conclusion, effective brand protection is a multifaceted endeavour that requires specialised expertise and an approach tailored to each brand's requirements. One size doesn't fit all when it comes to protecting brands online, and relying on generalist solutions may leave critical gaps in security.

Being smart with enforcement budgets is crucial. Resources must be allocated efficiently to maximise the impact of enforcement activities. Technology plays a pivotal role in this process, as it enables automated monitoring, detection and analysis of potential infringements. By leveraging technology to handle the heavy lifting, brands can save time and resources while maintaining constant vigilance over an ever shifting online space.

However, it is essential to recognise that technology alone cannot make the final decisions in brand protection. While algorithms and artificial intelligence can assist in assessing risks and identifying potential infringements, the ultimate enforcement decisions should be made by experienced professionals.

This human touch ensures that enforcement strategies align with the brand's values, objectives and legal considerations. The robots have not taken over just yet.



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# How to identify and subvert counterfeiters in e-commerce marketplaces

**Elliott Champion**

CSC

## Summary

TRENDS AND THREATS IN E-COMMERCE MARKETPLACES

NEW MARKETPLACES MAKE A WIDER PLAYING FIELD FOR INFRINGERS

LEGISLATIVE CHANGES

WHAT DOES THIS MEAN FOR BRAND OWNERS?

WHAT DOES A HOLISTIC BRAND PROTECTION PROGRAMME LOOK LIKE?

E-commerce is big business. Around 60% of the world's population is online – that's around 4.6 billion people – and each spending an average of around seven hours per day online. Overall, the internet economy represents around \$15 trillion – that's around 15% of the total global gross domestic product (GDP) and is a figure that is growing two-and-a-half times faster than GDP itself.

This means that e-commerce is a necessity for brands – enabling them to reach huge online audiences, raising both brand awareness and sales revenue. At the same time, however, e-commerce marketplaces offer similar opportunities to infringers selling counterfeit goods, allowing them to 'set up shop' quickly and at low cost, and to take advantage of the high levels of anonymity afforded by the Internet, directing sales and revenue away from genuine brands.

As well as using their own websites, many brands choose to sell through e-commerce marketplaces. In 2023, the top five e-commerce marketplaces by visits per month are:

- Amazon
- eBay
- Rakuten
- Shopee
- AliExpress

On top of these, social media channels including Facebook and Tiktok also offer marketplaces or in-post shopping, expanding the field even further – but bringing another set of issues for brand owners trying to protect their intellectual property.

It's also been found that increasingly consumers view brand owners as the ones responsible for protecting them from buying counterfeit products. Various studies suggest that they distrust brands that are repeatedly subject to infringement and brand abuse.

### **TRENDS AND THREATS IN E-COMMERCE MARKETPLACES**

The global expansion of e-commerce over the past few years has arguably been driven by the pandemic. The reported increase ranges from 20% to almost 40%, depending on the region or the product.

At CSC we have seen this boom reflected in the number of enforced listings that we have processed – a 70% year-on-year increase in 2022. The infringers have been mobilising at the same pace as the e-commerce expansion. What this data has provided is an indication of the sites being most affected by this increase in infringements.

Other than increased listings, we have also found the following key trends within the e-commerce realm:

- increased environmental concerns leading to the growth of 're-commerce' websites like Vinted, Poshmark, Mercari and OLX;
- the advancement of social media selling, including TikTok live sales;
- more e-commerce platforms using image-based search, especially in their mobile apps; and

- the rise of the hidden link phenomenon.

## **THE RISE IN RE-COMMERCE SITES**

Re-commerce sites are great ways for people to resell their goods second-hand, but also can be a way for infringers to inject new replica or knock-off goods into the market – more common on sites like OLX – or for regular people to sell infringing items a second time, whether wittingly or unwittingly. This can leave brands open to IP infringement and result in further loss of revenue. The low level of information needed to set up an account on such sites can make it more difficult to pinpoint details of users who may be using the sites nefariously.

## **SOCIAL MEDIA SELLING**

Social media has really taken flight as a central platform for e-commerce. It has grown in popularity and many of the social media platforms now have dedicated e-commerce sections along with tools for small businesses to link their profiles to online shops and accept orders. Overall, social media e-commerce is expected to be worth approximately \$1.2 trillion by 2025, which is around three times its current value.

Facebook originally opened its Facebook Marketplace in 2016 for users to buy and sell goods locally, but this market has developed into much more, with the increased popularity and number of social media platforms, and the rise of influencers on sites such as Instagram, TikTok and YouTube. Now, these and other social media platforms have posts and videos highlighting everything from beauty products to apparel, footwear, jewellery and more, driving a demand for in-post and even live sales, as followers want to be able to purchase recommended or featured products at the click of a button (or tap of the screen).

TikTok live sales are particularly challenging from a brand protection perspective if being used by infringers to sell counterfeit goods, as monitoring requires the watching of the live stream to catch them in the act. This is both time-consuming and expensive, not to mention difficult to enforce against, leaving brand owners wondering whether the investment outweighs the results of any takedowns. Additionally, across social media platforms it is increasingly easy to set up multiple accounts with different degrees of privacy – and many accounts are created by bots rather than individuals. This makes it more difficult for brand owners – as one infringing account closes, there may be any number of other accounts created in its place.

## **IMAGE-BASED SEARCH**

The third trend is an increase in platforms using image-based search. Currently, this function is mainly available on marketplaces' mobile apps, as opposed to desktop or mobile sites. While this technological advancement makes it easier for users to find the goods that they need in general, it also makes it easier for those looking for counterfeit or replica goods to find them – or even those not looking for them – increasing the infringer's reach even further.

## **HIDDEN LINKS**

The use of hidden links as a method of selling counterfeit items is something that's become more prevalent in recent years. It is particularly devious as it is essentially a method for infringers to continue to sell fake goods while circumventing the restrictions that marketplaces have put in place to minimise this. Where we see marketplace listings advertising, for example, a replica of a luxury item that includes the brand name, the listing

will quite often be proactively taken down by the marketplace itself. To get around this, infringers have developed the hidden link method. Here, infringers use what is essentially a decoy listing on the marketplace site that doesn't mention the actual (counterfeit) goods being sold. Alongside this they create an external listing on a standalone site on, say, social media, that talks about the branded counterfeit on offer, a link to the decoy listing, and instructions on how to buy it. For example, you may find a listing for a luxury watch replica on social media, but when you click the link that takes you to the e-commerce marketplace, the listing will not relate to watches. It may be, for example, a listing for an unbranded t-shirt. The initial listing will tell you that selecting a particular size and colour combination will mean that you actually want to buy the watch, and this is what will be shipped to you after payment. This means that more sophisticated monitoring methods are required to bring down the referring site listings.

### **NEW MARKETPLACES MAKE A WIDER PLAYING FIELD FOR INFRINGERS**

While discussing e-commerce trends, it is essential to bring up platforms that have become more popular in the past few years – infringers frequently target new platforms the most as they have less mature enforcement procedures in place.

Founded in 2015, Pinduoduo is the fastest growing e-commerce start-up ever in China and appears at number 12 in the list of top marketplaces by visits per month. It sells a variety of goods, including everything from household equipment to basic foodstuffs. Its unique selling point is the 'team buy' approach. Users establish a 'shopping team' to negotiate a reduced price for their purchase by inviting their social media connections to join their group by posting Pinduoduo's product details on social networks like WeChat and QQ.

While this mechanism keeps customers keen with a more dynamic and engaging shopping experience, the site has become renowned for being used heavily by illegal vendors, despite having one of the strictest compensation policies of any e-commerce marketplace. (Any merchant found to be selling counterfeit products is penalised with a fine 10 times the value of the item sold.) Recently, Pinduoduo launched its sister shopping platform, TEMU, in the United States, widening the geographical reach. Brands may wish to add monitoring of these sites to any existing brand protection programme.

Another platform that has experienced fast growth is Shopee. Before expanding into South America in 2019 and trialling a number of European sites in 2022, it first focused on Southeast Asia, and it is still present there in seven countries. The platform has gained its initial popularity in Southeast Asia thanks to the Shopee guarantee escrow service, which can be used to withhold payments from sellers until buyers have received their orders. Its rise in popularity has made it also popular with infringers – nearly a third of all enforcements undertaken in 2022 were against Shopee, making it the number one enforced marketplace for the year.

### **LEGISLATIVE CHANGES**

Above all the aforementioned trends for brands to consider, a number of legislative changes have affected, and will continue to affect, seller behaviours through limits from a legal perspective.

Over the past few years there have been several updates to safety laws in various countries that may affect how platforms yield to the new regulations and what further rights are given to the brand owners to protect their intellectual property. Following US federal registration

legislation such as Section 230, which provided general immunity for the website platforms with respect to third-party content, several newer pieces of additional legislation have since been proposed, which set the scene for increased online safety.

One of them is the US Shop Safe Act, which added standards to make sure that sellers' identities are confirmed, goods are proactively inspected for counterfeit indicators and repeat infringers are suspended, which expanded the burden on marketplaces to stop infringing listings from being published. Also in the US, the INFORM Consumers Act requires regular marketplace verification and disclosure of details, where available, for high-volume sellers.

China also underwent several legal revisions in the past couple of years. The following three may be the most significant.

- Changes to China's Patent Law – creating better design patent protection for brand owners with regards to things like partial design, the patents linking system for pharmaceuticals, punitive damages in patent infringement cases and patent term adjustments. This went into force in June 2021.
- Intellectual Property Protection and Management for e-Commerce Platforms went into force, also in June 2021. It establishes standards and directives for e-commerce platforms to handle IP rights disputes more effectively. While some bigger Chinese platforms (eg, Alibaba Group) already had similar procedures in place, the new law requires smaller platforms to establish compliant takedown procedures.
- Prohibition of the sale of pharmaceutical items on '[Alibaba.com](#)' – '[Alibaba.com](#)' announced a total prohibition on the sale of pharmaceutical items on its platform in April 2021 to reduce the possibility of customers being exposed to illegal or counterfeit goods that may prove hazardous to users' health and safety.

### WHAT DOES THIS MEAN FOR BRAND OWNERS?

Put simply, these developments in the e-commerce landscape mean brand protection – including monitoring to identify potentially damaging third-party content, and using enforcement strategies to take down infringing material – is more important now than ever. It is important to have a holistic approach to brand protection covering a range of online channels, not just including e-commerce marketplaces and social media, but also internet content, branded domain names, mobile apps, etc, as these areas are becoming increasingly interlinked, providing different environments where the same kinds of infringements happen.

An effective enforcement programme has several benefits to a brand, including:

- making the brand a less attractive target for criminals in future;
- enabling the reclaim of lost revenue;
- protecting customers and official online partners;
- positively affecting brand reputation and value;
- satisfying regulatory requirements; and
- being prerequisite for retaining IP protection.

### WHAT DOES A HOLISTIC BRAND PROTECTION PROGRAMME LOOK LIKE?

We recommend a four-step process for the effective and efficient implementation of a holistic brand protection programme.

### **STEP 1: EVALUATE THE LANDSCAPE AND ESTABLISH GOALS**

The first step is to determine the current landscape so your brand can establish what and where the issues are, and therefore what to focus on. This might include:

- taking an initial brand snapshot or landscape audit across all relevant channels; and
- a marketplace sweep that looks at the numbers of results returned in response to brand-specific searches on key e-commerce marketplaces. Results can be prioritised via threat scoring, clustering technology, web-traffic analysis, sales volume information and so on.

It is also essential to ensure that the focus areas of any programme align with the organisation's business plan and strategic goals (geographic areas where the company has operations or plans to expand, channels where it has online presence, etc). The organisation should review its IP protection portfolio to ensure that relevant brand terms are protected and to make sure that trademarks are registered in the appropriate product classes and geographic jurisdictions. This will eliminate potential pauses to the brand protection efforts along the way.

Finally, you should set out the overall goals of the brand protection initiative to measure its effectiveness. These might include:

- reducing infringements – removing significant numbers of them from the top e-commerce marketplaces and social-media sites;
- cleaning search engine results to eliminate infringements appearing on the first page;
- increases in web traffic to official channels; and
- pre-empting infringement activity against planned new product or brand launches.

### **STEP 2: MONITOR CRITICAL ONLINE CHANNELS**

Once the scope of the programme has been established, the next step is to agree on monitoring parameters, determining which channels and platforms to monitor and assessing which search terms to use.

The minimum requirement is to search for the brand name itself, essentially mirroring customer searches, but for a more comprehensive view, we recommend searching for content featuring brand variants like typos, abbreviations and character replacements. Often infringers deliberately do not use the exact brand name to evade detection. It may also be useful to configure search terms that incorporate other brand terms or industry- or product-specific keywords to help identify relevant material when the brand name itself is a generic term.

Extracting as much rich data as possible from the webpages and listings identified through monitoring allows findings to be prioritised and triaged effectively, then clustered to identify key targets and infringers. Data extraction can include rules-based analysis of page content, scraping to extract relevant data from known locations on a page, or using an API provided by the monitored site. In cases of particular concern, detailed entity investigations can build a fuller picture of a particular seller or organisation's online profile and associated

activities. Counterfeit indicators in product images can also help determine whether a listing is infringing – achieved using a combination of automated image analysis and manual inspection by an analyst.

### **STEP 3: ENFORCE USING THE MOST IMPACTFUL STRATEGIES**

Once infringing content has been identified, the next step is to take enforcement action. To avoid a whack-a-mole approach, identifying and tackling the highest value targets first using the most efficient takedown method – which varies depending on the channel, platform and nature of the infringement – creates the greatest impact.

Certain platforms have specific IP protection programmes to remove brand-damaging content. Some also have good faith programmes where brand owners or their representatives can achieve rapid takedowns by having a low false-positive rate in submitted infringements.

For other internet content, having a toolkit of enforcement approaches is beneficial, allowing brand owners to select the most cost-effective and efficient approach, while reserving other more complex procedures for escalation. These include:

- primary actions – low-cost, low-complexity, rapid actions, for example cease-and-desist notices;
- secondary actions – such as host-level content removals or registrar- or registry-level suspensions; and
- tertiary actions – longer-term, more complex approaches like domain dispute processes and legal actions.

### **STEP 4: EVALUATE IMPACT AND REALIGN STRATEGIES**

As a brand protection programme matures, evaluating its impact ensures that maximum value is being realised. This evaluation can be done using a variety of techniques, many of which measure the financial return-on-investment of the actions taken. This calculation involves the total value of infringing goods removed from e-commerce marketplaces, the total amount of web traffic received by infringing sites, or both. Determining the amount of lost revenue that's reclaimable after successful enforcement is key to demonstrating return on investment. For e-commerce delistings, this considers the conversion rate of customers who would buy a legitimate item when the counterfeit version becomes unavailable.

Brand owners can also directly measure other positive tangible results including:

- increases in web traffic and sales volumes for their official network of sites, resellers, and partners; and
- a clean presence on search engines and other platforms, with no infringing content returned for brand-specific searches.

Remembering our finding from the introduction of this piece – that consumers increasingly view brand owners as the ones responsible for protecting them from online harm – means that knowing how a brand is being referenced online through a monitoring solution has other additional (albeit less tangible) benefits. Intelligence on negative customer comments allows brand owners to make informed decisions on their marketing and product development strategies. Combining a brand protection programme with customer education and the use

of product verification tools, for example, protects the consumer base from exposure to non-legitimate products and content, having a positive impact on trust levels, showing that the brand is taking responsibility for customers' well-being online.

Reviewing the process and realigning strategies in response to observations, trends or changes in business strategy is beneficial. The online landscape is constantly changing – new channels and platforms are frequently emerging; additional takedown techniques may become available, meaning brand owners need to pivot their brand protection strategies swiftly. Infringement patterns may also change over time, as sellers move to different marketplaces or change the way they describe the products. The review process allows brands to introduce new brands and products, change their geographic footprint, or increase their portfolio of protected IP.

Any of the above factors can necessitate changes to how a holistic brand protection programme is executed to keep it focused, relevant and effective. The approach should always be circular and iterative, with brand owners keeping a close eye on activity and trends, and constantly evolving their methods to respond to any changes.



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# Building a robust offline anti-counterfeiting programme: China focus

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## Summary

[INTRODUCTION](#)

[CONCLUSION](#)

## INTRODUCTION

It would be very unusual for a luxury brand or indeed, any brand or business, not to strive to exploit its well-known status and the financial rewards that accompany it. However, global recognition and large profits unwittingly attract copycats and counterfeiting is an acknowledged part of being successful. Infringers do not want to emulate obscure fashion items, vehicles and consumable goods, for who would buy those products? China, with its growing global economic profile, has also created a growing market for counterfeit luxury goods and until 2019, its first-to-file trademark registration system created a favourable environment for bad-faith filings. Many consumers purchase counterfeit goods deliberately, paying less for what they hope will look expensive, while other consumers will be confused by the fake goods and remain unaware that these are not the high-status originals that they believed they were paying good money for.

Detecting infringers and their distributors remains problematic, with actual sales taking place on the city streets, as well as in markets and small shops. Occasionally the counterfeiters will operate a fake store in the name of a well-known brand, which recently happened to Ermenegildo Zegna, in a Wuhan outlet.<sup>1</sup> Detection rates are often as low as the punishments that have historically followed successful trademark action. Given the challenges that trademark holders face, it is essential to operate a robust offline anti-counterfeiting programme, which is not only cost-effective, but allows trademark holders to deal efficiently and effectively with infringement of their rights. This article will demonstrate how such a strategy operates in practice.

## THE STARTING POINT

The starting point for a robust anti-counterfeiting programme is knowledge of the risks of brand infringement and how best products can be protected. There are sophisticated anti-counterfeiting technologies, such as QR codes, blockchain or tags, which are used to track products, with the code or tag being scanned each time the goods change hands so that the customer can trace its origin and history. The information can then be placed into the brand's database, to be shared with government agencies and other stakeholders. However, this requires a high level of technological expertise on the part of the brand and the consumers and may be less helpful with bricks-and-mortar sales. If the brand has technological awareness, it can engage with the AliBaba Task Force, or Taobao to identify counterfeit goods and the manufacturers and distributors who are engaged in the infringement, through data analysis, which can then be relayed to the appropriate law enforcement agencies.

## THE ROLE OF THE INTELLECTUAL PROPERTY LAWYER

A successful business will ensure that it engages local IP lawyers, who can advise on all the aspects of brand protection. China has an increasingly strong and effective IP system, but conducting litigation in the courts can be daunting, especially for foreign companies, as the proceedings and legal documentation are almost always in Chinese. Businesses should not assume that lawyers only advise on the registration of rights and infringement action, as they can offer an extensive service of global brand protection and advice. A good lawyer not only prepares for and conducts the infringement action in court, but can register trademarks, investigate the counterfeiters, arrange raids and generally provide advice on strategic moves to counteract existing and future infringements.

## BASIC PROTECTION STRATEGIES

Before considering the formalities of registration and litigation, trademark holders can take simple steps to protect their brands by assessing how they conduct their business. When a product is taken to market, it is exposed to designers, manufacturers, retailers and in-house staff who have access to information that they may have the means to copy. Incorporating confidentiality agreements into contracts with those who engage with all the steps that get the products to consumers, will reduce the exposure of confidential information to a tried and trusted few and will reduce their knowledge of the products and processes that can lead to infringing activity. Document flow should be reduced to the lowest possible level.

Conducting an internal brand audit is similarly important. This should include an assessment of contracts for the management of the supply chain and distribution channels, with awareness of the retail destination of the goods, such as online marketplaces and bricks-and-mortar stores. Funding for expert assistance should not be underestimated and should be budgeted for at the outset. Professional investigation services are able to monitor trade shows and major retailers, conduct audits and investigations of manufacturing sites, and make test purchases from apparently legitimate sales sites. Not only is prevention cost-effective, but if infringing activities are strongly suspected, there will also be a need for swiftly accessible funding for legal fees and customs bonds to detain suspected infringing goods.

## PROTECTING THE BRAND

Of crucial importance in any anti-counterfeiting programme and a prerequisite to any remedial action is the registration of IP rights such as trademarks. Businesses should plan well ahead and identify which trademarks are important in China and ensure that they are registered with the China Trademark Office by a local lawyer, who will have reviewed the brand and potential trademarks and will have advised on the appropriate classes for registration.<sup>2</sup> This will be more cost-effective than litigation, and trademark registration provides a ten-year period of protection, which is renewable. Foreign businesses should be aware that their trademarks should also be registered in Chinese transliteration, as failure to register only in Roman characters will expose them to the risk of a competing or infringing trader registering an identical or similar mark in Chinese characters. Having the transliteration registration will be a key aspect in the enhancement of the image and profitability of the brand, as a trademark that is used informally in a regional language, could adversely affect that brand. A strong programme of protection will also include the registration of the trademark with Customs, the benefits of which are considered below.

China's Trademark Law sets out the process for registration in Articles 2 to 9, which is relatively straightforward, especially with legal assistance. Since the Fourth Amendment of the law in 2019, the practice of trademark hoarding and filing, a result of the first-to-file system, has been addressed, with the introduction of Article 4, which provides that bad faith trademark registration applications not for use shall be rejected. Trademark squatting and hoarding has adversely affected foreign brands in particular, when launching new products, or when pursuing trademark strategies, as they have been unable to enforce their rights through administrative and judicial litigation, even following a protracted period of appeals. An example of this involved Manolo Blahnik, the Spanish shoe designer, who spent 22 years involved in litigation to invalidate a squatting trademark registered in China, in bad faith, by a footwear entrepreneur.

## EVIDENCE

On 13 January 2023, the China National Intellectual Property Administration (CNIPA) issued Draft Amendments to the Trademark Law for public comment. While aspects of the draft legislation will benefit trademark owners in their fight against counterfeiting, such as the mandatory transfer of maliciously filed trademarks to the genuine owner<sup>3</sup> and a right to compensation for a genuine trademark owner, based on malicious squatting,<sup>4</sup> it will increase the amount of evidence that the right holder will need to collate. Central to the draft law is the concept of 'use', only permitting the trademark owner to apply for registration of trademarks that are being used or in respect of which, there is an undertaking to use it at the time of the application.<sup>5</sup> This may require an undertaking as to use to be filed with new applications. Further, a declaration of use is required when filing and every five years thereafter.<sup>6</sup> Failure to comply would result in the CNIPA cancelling the trademark or declaring it abandoned. This places a large evidential burden on the right holder, as there is a limitation on reapplying.<sup>7</sup> This is a provision that could have serious implications for a brand that should be addressed by any anti-counterfeiting strategy. The CNIPA will undertake random spot checks on trademark owners to ensure their compliance with use, and it is advisable to retain an evidential file of use, and to be able to confirm the authenticity of any declaration as to its use, or face cancellation.

The importance of retaining properly recorded evidence cannot be over estimated. Brand owners should seek appropriate advice and prepare files that set out all products and brands, registration details and usage, based in China, as well as globally. Trademarks should be registered and updated and the files should include manufacturers, distributors, importers and exporters, as well as actual and potential customers of the brand. If potential customers can be identified, it may also be possible to identify where they shop, thereby locating outlets for infringing products.

If infringement has occurred, or is suspected, the pertinent question will be how to protect key markets and new markets from infiltration. The specialist lawyer will need to know whether the infringers, actual or suspected, are individuals or organisations and which entity is the primary cause of the illegal activity, if known. It may be that there are several smaller players or one major player and the activity might have occurred solely in China or in other jurisdictions. Evidence should be gathered to identify patterns of infringement if possible and where the infringing products are, or may be imported from, or exported to. When assessing the impact of any potential infringement, lawyers should consider the potential period until it becomes a major threat to the client's business and poses a serious threat to their stability, taking into account, their profitability and reputation, the most crucial factors in the establishment and maintenance of a successful brand. To draw as full a picture as possible, the strategy should encompass a sophisticated anti-counterfeiting review programme, beginning with a review of any past enforcement actions, including those that were unsuccessful, so as to identify valuable information that may have gone unidentified or been forgotten. Such fine detail can assist investigative efforts to locate and identify the infringers and their activities. Collating a full file of evidence allows the brand owner to move very quickly to enforcement proceedings, if required. Generally, only evidence that is notarised by a Chinese notary public will be allowed by Chinese courts and other administrations, so it is important that notarised proof of an infringement is obtained when the illegal activity becomes apparent.

## CHOICE OF ENFORCEMENT ACTION

With a dual system of IP enforcement, brands may select administrative remedies or judicial remedies, in addition to the protection that Customs can provide, if an IP right is registered with them. In selecting the appropriate enforcement mechanism, it is essential to assess what is intended to be achieved through the enforcement. The administrative route is faster and less expensive than the judicial route and is perhaps more appropriate if time is of the essence in stopping the illegal activity. In some cases the threat of proceedings may be sufficient to stop the infringement, or it may be possible to mediate with the counterfeiters to reach a solution. Civil judicial proceedings offer the option of preliminary injunctions, compensation and if appropriate, punitive awards of damages. Where the value of the infringement is sufficiently high to be considered serious, or exceptionally serious, criminal action may be taken by the Public Security Bureaus (PSBs).

### **CUSTOMS ACTION**

China is one of the few countries Customs may check, block and seize counterfeit goods being exported, as well as imported. This can be a very effective anti-counterfeiting tool. Customs protection is available where the trademark is filed with the General Administration of Customs in China (GACC), whose rules are set out in the Regulations on Customs Actions Against Infringement of Intellectual Property Rights (the Regulations),<sup>8</sup> which were last amended in 2018 and the Measures for Implementation of the Regulations (GACC Measures),<sup>9</sup> which were also last amended in 2018. Trademark owners can apply to have their rights protected<sup>10</sup> and apply for their rights to be archived with Customs.<sup>11</sup> This simple procedure enables Customs to access the right holder's information via intranet and confirm those recorded rights during routine inspections. If they suspect that a consignment of goods contains infringing products, they may detain the shipment and seek confirmation from the registered owner that they are authorised, following notification of suspected infringement, which will include the identity of the exporter. Again, it is essential that the right holder retains a full file of evidence, and a database or 'white list' of authorised vendors, importers, exporters and agents, as they should be sufficiently organised to verify the authenticity of the products within three business days from the date of notification by Customs to confirm whether the goods are counterfeit. Customs protection is also available where the rights are not filed at Customs, but there is less protection for the trademark owner, as it is more difficult to trace the right holder for verification of authenticity of the products without filing and they may not have authorised their seizure. Further, Customs may be less proactive where the trademark has not been filed with them.<sup>12</sup>

Strategically, a robust trademark owner will retain sufficient funds to be able to issue swift instructions to Customs to commence enforcement measures against the exporter, as the owner will be required to secure a bond, as a guarantee for storage and disposal of the infringing goods, as well as the associated costs of an improper seizure.<sup>13</sup> The bond is usually assessed in relation to the declared value of the goods,<sup>14</sup> but it is good practice to have sufficient financial resources available to be able to meet any bond requirements. The trademark owner may either pay a cash bond in yuan into the designated account of Customs, for each customs notice, or set up a general bond with the GACC, using the approval letter to confirm the seizure. In the absence of infringement or a confirmation, where the detention of the goods has been made by Customs ex officio and the trademark has been recorded, Customs has 30 working days to investigate. If the infringement cannot be confirmed in that time, the right owner has 50 working days to bring the case to court and to inform Customs of the court's notice of seizure of the goods. Where the right holder has

made an application to Customs, they have 20 working days to bring the case to court and to inform Customs of the court's notice.<sup>15</sup>

The Customs procedure is an essential part of an enforcement strategy, although Customs can only issue a fine to the infringer of up to 30% of the value of the counterfeit goods or up to 50,000 yuan for a failure to truthfully declare the goods or the documentation, which does not constitute a sufficient deterrent to illegal activity. The Customs procedure is best used as an additional level of protection. On 22 April 2022, the GACC released the Typical Cases of Intellectual Property Protection by China Customs in 2021. This highlighted the seizure of IP-infringing products of well-known brands such as Apple, Samsung, Ugg, Disney and Huawei. For example, between January to March 2021, Nanjing Customs seized 1,700 batches of blankets, clothes and shoes, infringing 19 trademarks belonging to Disney and Ugg, and in November 2021, Guangzhou Customs seized 5,492 pairs of earphones and 300 electronic watches infringing the Apple logo, in addition to 1,000 pairs of earphones infringing the exclusive right of Xiaomi Technology Ltd, to use the trademark MI.

### **ADMINISTRATIVE ENFORCEMENT**

If a brand owner seeks a relatively swift and affordable remedy for infringement, they can apply to the Administration for Market Regulation (AMR), which is charged with the enforcement of Trademark Law and Competition Law and which is the most popular enforcement option in China, because of its relative simplicity of use. The penalties that can be imposed include an order for immediate cessation of the infringement, the confiscation or destruction of the infringing goods, including any tools mainly used in their manufacture or to forge the representations of the registered trademark. Further, Article 60.2 of the Trademark Law provides that if the illegal turnover was at least 50,000 yuan, the AMR may impose a fine of not more than five times the illegal turnover. If there was no illegal turnover, or the illegal turnover was less than 50,000 yuan, it may impose a fine of not more than 250,000 yuan. In cases where the trademark infringement is committed at least twice within five years or another serious circumstance applies, heavier penalties will be imposed.<sup>16</sup> The disadvantages of the administrative system is that there is no provision for the payment of compensation for the trademark holder, the fines are generally low and therefore ineffective as a useful deterrent. However, a final decision of the AMR can be presented as evidence of infringement in any subsequent civil judicial action. The administrative route should be seen as an option in any anti-counterfeiting strategy, but it falls short when damages or injunctive relief are the preferred remedies.

### **CIVIL ENFORCEMENT**

#### **INJUNCTIONS**

Where a brand owner opts for civil judicial enforcement of their trademark rights under Article 60 of the Fourth Amendment of the Trademark Law,<sup>17</sup> they have the benefit of applying for both preliminary and final injunctions.<sup>18</sup> Final injunctions are available following a finding of infringement, but preliminary injunctions are less common and are governed by Article 7 of the Provisions of the SPC on Several Issues Concerning the Application of Laws in Cases Involving the Adjudication of Action Preservation in Intellectual Property Disputes (the Provisions),<sup>19</sup> which codified the existing practice. Unlike in many jurisdictions, Chinese courts will not grant ex parte relief unless they are satisfied that the alleged infringement will have a significant impact on the right holder and there is a need for urgency.<sup>20</sup> The right holder must therefore be in a position to prove that their application falls into one of the six situations

deemed to be urgent.<sup>21</sup> Even if the situation seems urgent, an order is not guaranteed, with the overriding requirement being that the threat of infringement is time-sensitive, requiring an interim injunction within 48 hours. This is an arbitrary time limit and may be sufficient to permit the infringer to complete the infringement.

Any clued-up brand will have sufficient awareness of the injunctive procedure to make an application for relief at the earliest opportunity, which will avoid the court refusing the application on the basis of unjustifiable delay. There should also be proof of the validity and stability of the trademark, showing that there are no pending invalidation proceedings and the likelihood of infringement and satisfying the 'factual and legal basis' of the application. The evidential burden is a high bar to overcome, requiring proof that the infringement will cause irreparable harm to the right holder, and the court will need to be satisfied that on balance, the harm suffered by the applicant will be more significant than that suffered by the infringer, if the injunction is imposed. Under the new Provisions, there is no bar to a preliminary injunction when arbitration proceedings are ongoing, so it may be advisable in certain cases to begin this process to attempt a settlement.

As with any anti-counterfeiting measures, injunctions require financial planning, as a bond equating to the damage that the infringer could sustain as a result of the injunction order, including the proceeds of the infringing products, storage and any other reasonable expenses, must be posted.<sup>22</sup> Further, if the court finds that the injunction application has been wrongfully made, including where the right owner fails to file a civil action within 30 days of the injunction order, the alleged infringer may be entitled to compensation from the owner. Provided that the right owner can justify an injunction, this can often bring a swift end to infringing activities.

## DAMAGES

The 2019 Trademark Law Amendment increased the level of damages that the courts could award to the right holder for infringement. This was accompanied by an increase in the amount of punitive damages that could be awarded. Robust trademark owners will take full advantage of these provisions to bring a civil action, potentially providing them with substantial compensation and also deterring further infringement.

The Civil Code of the People's Republic of China, which came into effect on 1 January 2021, allows punitive damages where there is intentional infringement and the circumstances are serious.<sup>23</sup> The court must be satisfied that the infringer purposefully knew that, or was reckless whether, their conduct would cause harm. If the right holder ensures that the evidence that they submit is properly collated and prepared, they should be able to fulfil this test. To convince the court that the infringement occurred in serious circumstances, the evidence should demonstrate that the infringer was a professional infringer, with the illegal activity being on a large scale, of excessive duration and with a high level of profits. The court will consider if there was any risk to personal safety, the environment or the public interest.

It is good practice for a right holder to act quickly once infringing activity becomes apparent by issuing warning letters and notices to cease and desist. If the infringer ignores the warnings, or fails to comply with preliminary injunctions, it will be evidence of bad faith infringement.<sup>24</sup>

Right holders' actual financial losses have been notoriously difficult to prove, but since 2019, Article 63 of the Trademark Law has permitted compensation to be determined by an alternative to provable loss based on multiples of the licensing fee for the trademark. This

sum can also be used in calculating an award of punitive damages, based on one to five times the loss, or the multiple of the fee, if it can be proved that the infringement was in bad faith and the circumstances are serious. The burden of proving the loss falls upon trademark holders, who must use their best efforts to prove the losses, but the court may order infringers to produce any books and materials that they have relating to their illegal activities. However, the court may order compensation based solely on the evidence provided by the right holder and if that evidence is not as clear of persuasive as it could be, the right holder could receive a lower award than they could have been entitled to had their evidence been professionally presented. It may also lead the court to order statutory damages not exceeding 5 million yuan. While this may be a high award for some brands, the real loss could be far greater, so a robust counterfeiting strategy would ensure that the real loss can be established.

According to the Draft of the Fifth Amendment to the Trademark Law, the new Article 22 will contain a list of circumstances that will be presumed by the courts to indicate that a trademark application has been made in bad faith and that will serve as a basis for compensation. There will also be provision under Draft Articles 45 to 47, for the mandatory transfer of the maliciously filed trademark, to the genuine owner, with compensation being available under Draft Articles 83 and 84, for the losses incurred by the owner as a result of the trademark squatting activities and any malicious litigation against the true owner.

### **CRIMINAL ACTION**

For the sake of completeness, brand owners should be aware of the availability of criminal enforcement against trademark infringement. The Procuratorate will handle court proceedings, but criminal cases are investigated by local PSBs, which investigate serious or exceptionally serious cases, with penalties including fines and custodial sentences of up to ten years.<sup>25</sup> The courts will primarily focus on the value of the infringing counterfeit goods to determine severity. The PSBs will participate in cases, for example, by conducting raids. Brand owners can also issue private prosecutions, but these are extremely rare and can be difficult to bring before the courts. Criminal proceedings may benefit the public at large and offer a deterrent effect. However, the brand owners will not recover the compensation or punitive damages that are available under the civil law.

### **CONCLUSION**

China offers trademark owners a strong, efficient and effective enforcement regime, but brands must also help themselves and instigate a robust anti-counterfeiting strategy, which will enable them to move swiftly once infringement is suspected, thereby being in the best position to stop the illegal activity, obtain the best financial outcome possible and protect their profits and reputation. First rights owners should also ensure that they have a strong portfolio in China, ensuring that all of their intellectual property rights are registered, covering all the goods and services in their interests.

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<sup>1</sup> Zegna was successful in its trademark action and was awarded an unprecedented level of damages by the Wuhan Intermediate People's Court, which was the result of their robust anti-counterfeiting strategy.

<sup>2</sup> China uses the International Classification of Goods and Services under the 1957 NICE Agreement, which provides that a separate trademark application must be filed for each class in which the applicant wishes to obtain protection.

- 3  
— Ibid, arts. 45-47.
- 4  
— Ibid, art. 83.
- 5  
— Ibid, art. 5.
- 6  
— Ibid, art. 61.
- 7  
— Ibid, art. 21(3).
- 8  
— The Regulations on Customs Actions came into force in 1995 and were amended in 2003, 2010 and 2018.
- 9  
— The GACC issued the Measures for Implementation of the Regulations in 2004, which were amended in 2010 and 2018.
- 10  
— The Regulations, art.4.
- 11  
— Ibid, art. 7. Customs will also retain a list of authorised licensees.
- 12  
— There are two sets of customs protection mechanisms, one is ex officio, while the other is by application. Recording the trademark right with Customs enables ex officio seizure notices to be issued to right holders and to seek confirmation of the infringement and seizure. If the right is not filed with the GACC in advance, right owners may still file an application with the local Customs requesting protection, but they would have to provide details about the suspicious shipment, which is difficult to collect in practice.
- 13  
— The bonds must be paid via cash or a bank guarantee and brands that regularly experience customs seizures can file a general report with the GAC to avoid having to post bonds ad hoc. If the value of the goods is very low, the GAC may waive the bond.
- 14  
— If the value is 20,000 yuan or less, the bond equals the value of the goods; between 20,000 and 200,000 yuan, it is 50% of their value, but if the value exceeds 200,000 yuan, the bond is capped at 100,000 yuan.
- 15  
— It may not always be necessary to pay an additional bond.
- 16  
— If parties sells goods that they did not know infringed the exclusive right to use a registered trademark and can show that they were obtained lawfully, the Department for the Administration For Market Regulation shall order the cessation of sales, Article 60.2 of the Trademark Law.
- 17  
— The Trademark Law of China, Fourth Amendment was issued in 2019.
- 18  
— Ibid, art. 60.3.
- 19  
— These Provisions came into effect on 1 January 2019.
- 20  
— Urgency is defined under Articles 103 and 104 of the Civil Procedure Code as amended in 2021
- 21  
— The situations deemed to be urgent are (1) the right holder's trade secret is about to be illegally disclosed, (2) a personal right such as a publication right or privacy right is about to be infringed, (3) the intellectual property right in issue is about to be illegally disposed of, (4) the right holder's IP will suffer infringement in time-sensitive occasions, such as trade fairs, or (5) other situations calling for an immediate injunction.

[22](#)  
— Although the court can set a high bond, there is flexibility in the type of security that will be accepted, such as real estate, cash or an approved guarantee.

[23](#)  
— The Civil Code of the People's Republic of China, art. 1185. Article 123 specifically permits punitive damages for trademark infringement.

[24](#)  
— See the Guidelines on the Determination of Damages and Statutory Damages in Disputes over Intellectual Property and Unfair Competition, issued by the Beijing Higher People's Court on 21 April 2020. Bad faith infringement also includes counterfeiting registered trademarks, squatting or free riding on well known trademarks, or use of well known trademarks on identical or similar goods, as well as destroying or covering up evidence of infringement.

[25](#)  
— 11th Amendment to the Criminal Law of China, 2020.



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# Taking online anti-counterfeiting efforts from the Internet to the real world

**Saif Khan and Prajwal Kushwaha**

Anand and Anand

## Summary

THE ONLINE MARKETPLACE AND ITS LIMITATIONS

CHALLENGES IN ONLINE AND OFFLINE COUNTERFEITING

TAKING ACTIONS IN THE COURTS

While it can be relatively straightforward to have online sites and accounts taken down, translating this to meaningful legal action and financial compensation in the real world is not so clear-cut. At times it can be better to find ways to live with infringement in the short term in a bid to bring actions in the courtroom.

### **THE ONLINE MARKETPLACE AND ITS LIMITATIONS**

The Internet, coupled with the Internet-of-Things (IoT) infrastructure, has had a far-reaching impact on customer behaviour patterns recently. IoT can be best understood as an ecosystem of physical and tangible objects connected through the Internet. Devices such as hand-held barcode scanners, bill payment machines, apps which facilitate live tracking of shipments, etc, have enlarged the reach of traditional markets, resulting in continuous developments in the various retail and sales models brands use.

The functionality and ease of e-commerce have given rise to various advertising media that can easily result in a transaction in no time – which is not often the case in physical marketplaces. Advanced banking networks provide necessary support to all entities involved in transactions over the Internet, making online marketplace a world in itself.

However, the Internet's anonymity and lack of verification standards have made website impersonations and counterfeit listings on e-commerce platforms more common than one would wish. Automated takedown mechanisms, digital rights management systems and strict requirements under local safe-harbour provisions have made takedown of content from the Internet easier. Since in most cases an online intermediary will look at a counterfeit listing merely as infringing content and not as a case of counterfeiting, takedown of content is a relatively easy first step. Subsequently, court intervention becomes necessary to obtain further information from such platforms and trace the digital footprint of entities involved in the sale of counterfeits on the Internet and the scale of their operations.

### **WHAT'S NEW IN ONLINE COUNTERFEITING?**

Notable trends in this space are surfacing as completely new forms of counterfeiting. Since the customer does not physically interact with the product before making the purchase, the chances of what is ordered and what is ultimately delivered being different have increased substantially. There are also instances of non-delivery of products and fraud being committed on customers. Loose know-your-customer policies followed by banks, telecom operators and state entities make it even harder for the victims and brand owners to ascertain the identity of the real individuals. Features such as information masking and privacy protections further add to the already existing layers of anonymity about the infringers. In this context, banks have a bigger role as they have the most credible information regarding the entities behind counterfeiting. It is only through the banks to which payments are made that one can follow the money trail and reach the real individuals. The banks are also required to upgrade their verification systems in order to keep up with the various kind of frauds taking place currently.

Website impersonators are also trying new ways to confuse the users and make payments through their websites. Source codes of the original webpages are being linked with the impersonating webpages in a way where real-time changes take place in the impersonating webpage every time a change is taking place in the original website. This makes it almost impossible for an end-user or customer to differentiate between the original website and the imposter.

Diversion of traffic away from the original website or platform has become a major problem for brands. Common tactics deployed to divert traffic include opening fake social media accounts, purchasing ad-words containing trademarks of the original brand to rank the impersonating website higher in the search results, and using meta-tags in the source codes.

### **COUNTERFEITING IN THE METAVERSE**

Web 3.0, popularly known as the metaverse, raises the issue of counterfeiting of digital assets. Transactions of digital assets such as an outfit for your digital avatar or any proprietary work need appropriate permission from the owner of such work. Customers transacting in Web 3.0 must verify the seller through background of its blockchain address, smart-contracts or smart royalty payment mechanisms. A counterfeit digital asset can be anything that does not come secured with appropriate legal rights, remedies and freedom to sell it further.

As the idea of Web 3.0 is to offer transparency, interoperability, decentralisation and autonomy to users, it remains to be seen what the scale of such transactions in the future will be and how brand owners will enforce their rights – in the absence of centralised regulatory authorities in the metaverse. Excessive enforcement by brands may hamper the interoperability of Web 3.0 systems and the collaboration between users it ultimately seeks to offer.

### **CHALLENGES IN ONLINE AND OFFLINE COUNTERFEITING**

One of the end goals of any anti-counterfeiting action is always some financial compensation that can only be computed if there is reliable evidence to show the sales of counterfeits and its resultant damage to the brand or trademark owner. Collection of evidence is relatively easy on the Internet compared to a physical marketplace as there is always a risk factor involved in physical investigations of the wholesalers and manufacturers of counterfeit goods. Several tools available on the Internet assist in the collection of evidence against counterfeiters as long as they have some internet presence. Evidence collection needs to be continuous, while exercising sufficient caution so that the counterfeit products are not relocated, or the online seller does not become temporarily inactive, as the case may be. This evidence is helpful in the later stages of legal proceedings when motions are made for expeditious disposal of the actions and award of damages by the court.

Customer complaint mechanisms or the legal compliance departments of platforms in the online marketplace are not always uniform and well structured meaning that court orders cannot always be easily enforced. These platforms largely follow an automated system of initial responses when an order of court is communicated. The lack of one-to-one channels of communication between the brand owner and person in-charge of the platform makes it even more difficult to enforce court orders expeditiously.

Some platforms may even take down content in the absence of a court order when a brand approaches them through official means and points out the counterfeit listings on their platforms. However, in cases where counterfeiting is not apparent on its face, many e-commerce platforms and online marketplaces tend to take the defence that they are not the ones who should be determining whether a listing, product or act of a seller amounts to infringement of trademark or copyright. There is always an insistence on a court order by such platforms when any information is sought pertaining to sellers, registrants of domains or users of email IDs etc. However, one can see significant reluctance from domain registrars

when they are asked to comply with court orders. While some may refuse to follow the directions of a court based outside the territory where the respective domain registrar is registered, some also challenge court decisions actively when the court is asking them for something more than a mere takedown.

### **TAKING ACTIONS IN THE COURTS**

Court proceedings can be highly unpredictable and can go in any direction if there are shortcomings in the way evidence is produced before the court. As highlighted above, collection of evidence must be prioritised at all stages of an anti-counterfeit action. When the counterfeiters or defendants participate in court proceedings, their initial strategy might be to deny that the counterfeit products in question are sourced from them. In such cases, it is ideal to collect evidence of counterfeiting against the party before initiating a legal action. Such evidence may include photographs of the counterfeit goods, information relating to the number of workers engaged by the entity, its sales and profit figures, details of manufacturer or supplier, regions where products are shipped, prices at which counterfeit products are sold and many more. The nature of relevant evidence may vary according to the counterfeit product in question.

Brand owners must also ensure that court orders are followed and executed correctly. A favourable injunction will not yield any success until it is executed and after damages have been awarded. Keeping an eye on the counterfeiter during the lifecycle of an anti-counterfeiting action is also important as habitual offenders are likely violate court orders. Continuous market surveys will not only generate new leads for the brand owner but will also strengthen the ongoing legal proceedings against a counterfeiter who is found to be acting in violation of a court order. Any anti-counterfeiting action can proceed at a much faster pace when it is established that the counterfeiter's acts amount to continuous violation of a court order and infringement of the brand's rights.

The evidence collected in this process also allows brand owners to determine the scale of the counterfeiter's operations and accordingly seek damages. Courts should be conscious of the presence of multiple types of counterfeiters in the market. While some may only be small-time retailers of counterfeit goods, there are also entities who are operating large-scale counterfeiting businesses that factor in court expenses and penalties as a part of the cost of running their businesses. Therefore, brand owners need to be particularly wary of such entities and ensure that adequate evidence is present to support the quantum of damages they are seeking at the end.

With regard to e-commerce marketplaces and curbing counterfeiting on the Internet, the foremost requirement in a legal proceeding is to understand the law relating to the kind of marketplace you are dealing with and applying it to your case. Counterfeiting on the Internet is commonplace, and countries all over the world are attempting to find a solution which makes e-commerce platforms more accountable for third-party counterfeit listings while not stifling free speech and freedom to trade. More often than not, e-commerce platforms get defensive when information regarding counterfeit sales and details of the sellers rather than a mere request for a take-down is sought. In this case, brand owners must take a different course of action and leverage other statutory provisions. For example, non-compliance with requirements under consumer protection laws can increase the chances of e-commerce platforms being stripped of the safe-harbour protection available under the domestic laws. For any effective anti-counterfeiting strategy in the e-commerce space, it is important keep abreast of the key international developments as they can reverberate into relatively smaller

jurisdictions and platforms. Once a determination is made by a court regarding the culpability of a particular type of online intermediary involved in a counterfeit transaction, it is easier for other courts to follow a similar approach.

Legal systems have their own limitations, and a well-coordinated concerted effort is required from law enforcement agencies to ensure that evidence is preserved, and anti-counterfeiting actions are executed smoothly and safely. Brands must also look at anti-counterfeiting actions on case by case. Where the scale of counterfeiting is insignificant, the ultimate settlement amount will be similarly low. In such cases, brands must act fast and attempt to put an end to such activities by adopting the least aggressive approach, namely by sending legal notices.

When counterfeiters are operating a large-scale business, however, it is preferable to first investigate such entities, find out about their supply chains and manufacturing units and gather as much evidence as possible against them before initiating a legal action. Having good evidence on record at the start of a legal action will give rights holders the upper hand in court proceedings and settlement negotiations. Ultimately, almost all kinds of online counterfeiting have their fair share of similarities with counterfeiting in the bricks-and-mortar world. Investigations, collection of evidence and strategic use of applicable statutes and rules are of utmost importance in any anti-counterfeiting action.



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# How to create a robust online anti-counterfeiting programme

[Manisha Singh](#) and [Priyanka Anand](#)

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## Summary

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## INTRODUCTION

Counterfeits are becoming a concerning issue in today's global market, with counterfeiting-related problems increasing significantly. China, Hong Kong, India, the United Arab Emirates, Turkey and Russia are among the top provenance economies for counterfeit and pirated goods. Factors including the economic downturn, growth of online marketplaces and direct sales to consumers challenge existing anti-counterfeiting measures and make it easier for counterfeiters to target consumers directly.

The growth of e-commerce has created new opportunities for counterfeiters, making it easier for counterfeiters to list and sell their fake products to unsuspecting consumers. The sheer volume of online transactions and the rapid pace of online sales make it challenging to monitor and detect counterfeit listings effectively. The Internet provides a level of anonymity and global reach that facilitates the sale and distribution of counterfeit products. Counterfeits are a threat to brand value, undermine consumer trust, affect the country's gross domestic product and pose a threat to health and safety.

## ANTI-COUNTERFEITING LAWS IN CHINA

China leads globally in counterfeit and pirated products, with 80% of the world's counterfeits originating from China. Further, 75% of the total value of counterfeit and pirated goods seized by US Customs and Border Protection (CBP) in 2021 came from China and Hong Kong. China has implemented various laws and regulations to combat counterfeiting in addition to the Trademarks, Patent and Copyrights Law, such as:

- Anti-Unfair Competition Law, which prohibits acts such as trademark infringement, false advertising, trade secret misappropriation and product imitation that may confuse consumers.
- The Criminal Law of the People's Republic of China includes provisions that criminalise counterfeiting and intellectual property infringements.
- China's customs regulations empower customs authorities to enforce intellectual property rights at the border. Customs officials may detain and seize suspected counterfeit goods, conduct inspections and cooperate with rights holders in intellectual property enforcement.
- The E-commerce Law aims to discourage counterfeiting in China through heavier fines and places more responsibility on digital platforms to remove sellers of fake goods. The law also addresses false advertising, consumer protection, data protection and cybersecurity. It targets three groups: e-commerce platform operators, merchants who sell goods on e-commerce platforms and vendors with their own websites or social media. Merchants who sell exclusively on social media platforms must register their businesses and pay relevant taxes. E-commerce platform operators and merchants are jointly liable for selling fake products. Platform operators can now be fined up to 2 million yuan for selling counterfeit goods in China.

While China has made efforts to strengthen its legal framework and enforcement measures, counterfeiting remains a challenge due to the size of the market and complexity of supply chains.

## ANTI-COUNTERFEITING LAWS IN THE UNITED STATES

Counterfeiting is a significant issue in the United States, affecting various industries and posing risks to consumers and businesses. The US Customs and Border Protection (CBP) officers reported a 55% increase in counterfeit goods during the last fiscal year (1 October 2021 to 30 September 2022).

The CBP is the main federal agency responsible for combating counterfeit goods at US borders. Multiple US federal bodies develop and enforce e-commerce counterfeit goods regulations alongside the BCP, including the US Consumer Product Safety Commission, the US Food and Drug Administration, the Office of Intellectual Property Rights, the Federal Bureau of Investigation, and the National Intellectual Property Rights Coordination Center.

In 2020, the US administration issued an executive order to renew efforts to combat the e-commerce counterfeit goods market and introduced the SHOP SAFE Act of 2020. This put the onus of combating counterfeiting on third-party e-commerce platforms by making them liable for any consequences of counterfeit sales. Further, if counterfeit goods are being sold on a rogue website with an infringing domain name, the trademark owner may seek the transfer or cancellation of the domain name.

The Trademark Counterfeiting Act, 18 USC § 2320 (TCA) enacted in 1984, is the primary federal criminal law covering counterfeiting. It has amended the federal criminal code to make violation of the Lanham Act by the unauthorised or intentional use of a counterfeit trademark, a federal offence. Civil enforcement remedies for counterfeiting are provided by the Lanham Act. Owners of registered marks may also bring an action for trademark infringement under 15 USC § 1114, or absent a registration, infringement of unregistered marks and/or federal unfair competition under 15 USC §1125(a).

### **ANTI-COUNTERFEITING LAWS IN INDIA**

India has experienced tremendous growth in online marketplaces developed both internationally and domestically. However, with the rise of e-commerce platforms, the menace of counterfeiting has increased substantially. Counterfeiting not only affects the brand value but also puts the well-being of the consumer at risk through the sale of sub-standard products.

According to a report prepared by Crisil and the Authentication Solution Providers Association (ASPA), almost 25%-30% of all products sold in India are spurious with counterfeiting being most prevalent in apparel and FMCG sectors, followed by pharmaceutical, automotive and consumer durables. The State of Counterfeiting in India – 2021 report published by ASPA Global highlighted that the five sectors most affected by counterfeiting were currency, FMCG, alcohol, pharmaceutical and tobacco. The report also found that the states of Uttar Pradesh, Bihar, Rajasthan, Madhya Pradesh, West Bengal, Punjab, Jharkhand, Delhi, Gujarat, and Uttarakhand had the most counterfeiting incidents.

EUIPO and the Organisation for Economic Co-operation and Development (OECD) jointly published a report on 'Dangerous Fakes' listing India as one of the top countries in various categories when it comes to the origin of fake goods. Similarly, the office of the United State Trade Representative published a report called 'Special 301', which outlined issues with counterfeiting in general and revealed a list of markets located in Mumbai, Delhi and Kolkata that are notorious for selling counterfeiting products.

While India has no legislation dealing specifically with counterfeiting and piracy, civil, criminal and administrative remedies are available under various statutes:

- The Trademarks Act, 1999 provides for civil and criminal remedies against infringement of any trademark, whether registered or not. Although the statute neither defines 'counterfeiting' nor provides penalties against it, it contains provisions regarding 'falsifying a trademark' or 'falsely applying for a trademark'. The act allows the owner of the trademark to file a suit against infringement and passing off. Sections 103 and 104 of the Act provide for penalties for applying false trademark and/or trade description, etc with imprisonment of up to three years and a fine ranging from 50,000 to 200,000 rupees. Section 115 of the Act gives powers to the police to search and seize infringing and counterfeit products.
- The Copyright Act, 1957, at Section 55, provides various civil remedies for infringement of copyright such as injunctions, damages and account of profits. Section 64 empowers the police to seize all counterfeit software copies. Section 63 provides for imprisonment of up to three years and fines up to 20,000 rupees in case of infringement or abatement.
- The Patents Act, 1970 grants patentees a monopoly right in respect of an invention for a term of 20 years. The patentee can institute a suit seeking remedies, such as interlocutory/interim injunction, damages or account of profits and permanent injunction, all of which are civil remedies.
- The Design Act, 2000, at Section 22, provides that anyone committing an act of piracy shall be liable to pay to the rights holder up to 50,000 rupees per registered design. The rights holder may also seek interim relief and an injunction, provided that they can prove that the alleged infringing act involves their design resulting in an economic loss.

Counterfeiting is a widespread commercial crime. The Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act, 2015 established commercial courts at the district level, commercial divisions in High Courts, and commercial appellate divisions to deal with specified commercial disputes and with jurisdiction to deal with cases relating to counterfeiting. Further, the following forms of interim relief are available from the commercial courts:

- Anton Piller order: This allows the right holder to visit the defendant's premises along with the local commissioner appointed by the court, to search and seize counterfeit goods. These goods are returned to the defendant with an undertaking that the goods will be safely preserved until further orders of the court.
- John Doe order: This is similar to an Anton Piller order with the only difference being that the defendants are unknown or not named. This remedy is sought when it is difficult to identify the counterfeiter or when the counterfeiter is operating out of temporary premises.

The Indian Penal Code, 1860 sets out punishments for cheating, counterfeiting and possession of instruments for making counterfeits etc under chapter XII of the Act. The code's provisions can be invoked in criminal actions, in addition to the provisions of specific statutes.

Other pieces of legislation, such as the Drugs and Cosmetics Act, 1940 and the Food Safety and Standards Act, 2006 also play a vital role in preventing counterfeits, especially in respect of pharmaceutical and food products. The laws empower enforcement agencies to seize

and confiscate adulterated, spurious or misbranded goods and suspend the manufacturing licences of the people involved.

The Information Technology Act (ITA) and the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 provide for the liability of internet intermediaries, such as internet service providers, e-commerce websites and online payment gateways. While the intermediaries can claim safe harbour by limiting their liability under certain exemptions provided under the ITA, the Indian courts are now also taking a stricter view on internet intermediaries, and the scope of safe harbours enjoyed by intermediaries is narrowing, putting greater responsibility on intermediaries to prevent online infringement.

Another effective legal framework to resolve issues relating to domain names in India is the IN Domain Name Dispute Resolution Policy (INDRP). Any person aggrieved by the registration of a '.in' domain on the grounds that it is identical or confusingly similar to his or her name or trademark may file a complaint before the National Internet Exchange of India, an administrative body for resolving issues under INDRP. It provides a quick and effective grievance redress mechanism, and the proceedings are arbitral.

The Indian government has undertaken various initiatives to address counterfeiting. Specialised bodies such as the Intellectual Property Rights (IPR) Cell at Custom and the Economic Offence Wing (EOW) under the Central Bureau of Investigation (CBI) to investigate and prosecute counterfeiting cases have been set up. Additionally, awareness campaigns and training programmes are being conducted to educate stakeholders about the importance of intellectual property rights and the risks associated with counterfeiting.

### **BEST PRACTICES FOR E-COMMERCE PLATFORMS**

E-commerce platforms and third-party marketplaces play a crucial role in combating counterfeiting due to the significant presence of counterfeit products in online marketplaces. Below are some best practices that e-commerce platforms can adopt to effectively combat counterfeiting and provide a more trustworthy and reliable platform to consumers:

- **Robust seller verification:** Implement a stringent seller verification process to ensure that only legitimate sellers are allowed to list and sell products on the platform. This can include verifying seller identities, business registrations and contact information to minimise the risk of counterfeiters infiltrating the platform.
- **Proactive content monitoring:** Utilise advanced technologies and algorithms to monitor product listings, product descriptions, images and user-generated content for potential counterfeit or infringing items.
- **Fast and efficient takedown processes:** Implement streamlined and efficient takedown processes to respond to infringement notices promptly. Set clear timelines for review and removal of infringing listings, and provide regular updates to rights holders on the status of their requests.
- **Product authentication technologies:** Encourage sellers to adopt product authentication technologies, such as unique identifiers, holograms or QR codes, to help consumers verify the authenticity of products. Collaborate with brands to integrate authentication technologies into product listings and provide guidance to consumers on verifying genuine products.

- User reporting mechanisms: Encourage users to report suspicious or infringing listings through a user-friendly reporting mechanism.
- Collaboration with rights holders: Foster strong partnerships with brand owners and rights holders. Engage in regular communication, share information about counterfeit trends and collaborate on proactive measures to combat counterfeiting. Establish dedicated channels for communication and develop effective mechanisms for cooperation.

Further, various e-commerce platforms have adopted mechanisms to combat counterfeiting. In addition to traditional anti-counterfeiting technologies, such as holograms, RFID tags and watermarked packaging, there are numerous modern technologies in place to protect from counterfeiting:

- Blockchain technology can be used to create a digital record of a product's authenticity, making it difficult for counterfeiters to reproduce. This technology can be used to trace a product's path through the supply chain, allowing companies and consumers to verify its authenticity.
- Artificial intelligence (AI) and machine learning (ML): AI and ML algorithms can be used to analyse large amounts of data, such as product images or packaging, to identify unique patterns and characteristics of authentic products.
- NFC (near field communication) tags: NFC tags are small chips that can be embedded in a product and can be scanned with a smartphone. These tags can be used to store information about a product, such as a unique identifier or a link to a website that verifies its authenticity.
- Augmented reality (AR): AR technology can be used to create interactive experiences for consumers, such as virtual tours of a manufacturing plant or demonstrations of how a product works. This can help educate consumers about a product and facilitate the identification of authentic products.
- Encryption: Encryption can be used to protect the authenticity of a product by encrypting information and creating a digital signature.

Recently, Amazon, the world's largest online retailer, launched its Anti-Counterfeiting Exchange (ACX), an initiative aimed at tackling counterfeit goods on its platform.

## CONCLUSION

The issue of counterfeiting is a sensitive one that needs to be addressed with utmost importance, and it is imperative to adopt a comprehensive approach and put in place stricter norms to deal with counterfeits. A holistic approach involves considering all aspects of the counterfeiting ecosystem, including prevention, detection, enforcement, education and collaboration. It requires a combination of legal measures, enhanced enforcement efforts, public awareness campaigns, technological advancements and international cooperation. Furthermore, by working together, governments, law enforcement agencies, intellectual property owners, online platforms and consumers can create a united front against counterfeiting. Collaborative efforts can lead to more effective detection and enforcement actions, improved information sharing, and the development of best practices that can be implemented globally.



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# Brazil: Economic success matched by jump in counterfeiting

Rafael Lacaz Amaral and Raquel Corrêa Barros

Kasznar Leonardos

## Summary

LEGAL FRAMEWORK

BORDER MEASURES

CRIMINAL PROSECUTION

CIVIL ENFORCEMENT

TAX ENFORCEMENT

ANTI-COUNTERFEITING ONLINE

PREVENTIVE MEASURES/STRATEGIES

## LEGAL FRAMEWORK

The growth of the Brazilian market and economy is paralleled by the increase in counterfeiting activities. The enforcement of IP rights involves planning, technology, intelligence, training and coordination, with support from a number of laws and treaties, as well as the relevant rules of the Federal Constitution, the Civil Code, the Criminal Code, the Civil Procedure Code, the Criminal Procedure Code and administrative statutory instruments.

The legal framework for anti-counterfeiting includes:

- the Industrial Property Law (9,279/96);
- the Copyright Law (9,610/98);
- the Software Law (9,609/98); and
- the Internet Law (12,965/14).

In addition, Brazil is a signatory to the main international IP instruments, such as:

- the Paris Convention for the Protection of Industrial Property (as revised in Stockholm in 1967);
- the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs);
- the Berne Convention for the Protection of Literary and Artistic Works;
- the Washington Copyright Convention;
- the Universal Copyright Convention;
- the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations; and
- the Geneva Convention for the Protection of Producers of Phonograms against Unauthorised Duplication of their Phonograms.

Regarding trademark and copyright practice, the following acts are considered violations of IP rights in both the civil and criminal spheres:

- trademark infringement;
- geographical indication infringement;
- unfair competition practices; and
- copyright and software violations.

Enforcement provisions allow rights holders to take civil action to prevent further infringement and to recover losses incurred from actual infringement and criminal actions, with a view to convicting the infringers and imposing the penalties established by law. However, in practice, prison sentences are not imposed on counterfeiters.

Lawsuits are usually heard by state courts, while the federal courts hear actions seeking to declare void an IP right issued by the Brazilian Patent and Trademark Office (BPTO).

In Brazil, the rights holder, the licensee and some associations (eg, copyright collecting associations) have legal standing to bring civil lawsuits for IP infringement.

## BORDER MEASURES

The following instruments regulate border measures in Brazil:

- Article 198 of the Industrial Property Law;
- Articles 605 to 608 and 803 of the Customs Regulatory Act (Federal Decree 6,759/09);
- TRIPs; and
- certain other laws and rules.

Such regulations set forth the general guidelines for inspecting and retaining merchandise suspected of being counterfeit and establish the administrative procedures for final seizure and destruction.

Due to the great extent of the country's borders, imported merchandise is monitored by Customs through sampling processes.

Retentions are made ex officio or on the rights holder's request when there is prima facie evidence of violation. Thus, customs officers can hold for inquiry goods that are suspected of infringing trademarks and copyrights. Once the merchandise has been held, the rights holder or their trademark attorney is contacted to collect samples and state, by means of a formal declaration and within 10 business days, whether the goods are genuine. If they are genuine, the products are released to the importer.

If the goods are suspected of being counterfeit, in most states the rights holder can choose between the customs administrative procedure to suspend release of the goods or a judicial remedy. In the first case, a complaint based on a technical report must be presented before Customs, requesting the definitive seizure and destruction of the goods, and the importer is notified to enable them to respond. In the second case, the rights holder seeks to obtain a preliminary injunction requiring Customs to disclose the name and address of the importer – since this data is treated by the authorities as privileged and covered by tax privacy – and then files a lawsuit against the importer, requesting the seizure and destruction of the infringing merchandise. The importer is summoned to give a reply.

Due to a narrow interpretation of the law, some customs agencies require the right holder to file a lawsuit to seize the counterfeit goods. Others accept administrative requests. Right holders must be aware of such discrepancies and decide the best approach based on the agency through which the products have been imported. Some customs agencies interpret the law to mean that the lawsuit is mandatory and they release the goods if none is filed; others understand that the counterfeiting attested through the technical report presented by the right holder would be sufficient for the seizure of the suspected items and their destruction through the administrative tax procedure. The right holder would only file a lawsuit if they had a strategic interest in obtaining the importer's data, in addition to receiving compensation for damages, besides the order to abstain from the illicit act. In December 2013 the BPTO launched the National Trademark Owners Database. The database is a central database where authorities engaged in combating piracy (eg, the police, Customs and federal prosecutors) can access detailed information on trademarks that are targets for counterfeiting activities.

As established by the National Council for the Combating of Piracy Resolution 1/2011, the database assists public authorities in:

- obtaining samples, manuals and information on original products for the examination of seized counterfeiting goods by the police;
- accessing complaints and documents for the purposes of filing a police investigation or filing a report on raids aimed at curbing trade in counterfeit goods;
- obtaining technical opinions concerning the authenticity of retained or seized goods by public authorities; and
- making decisions on the detention of suspected counterfeit goods.

The Federal Revenue Service maintains the Brand Representatives' Contact List, a database that allows the customs authorities to contact the owner of the potentially infringed trademark. The project appears to overlap with the BPTO's National Trademark Owners Database but is in fact another tool with which to fight counterfeiting activities.

A general request for surveillance can be filed at the Customs General Management Office, but rights holders can also express their concerns and ask customs officials directly to carry out inspection and monitoring, training them about the features of their brands and products. Therefore, personal contact with and training of customs agents to identify infringing goods are possible and usually recommended.

### **CRIMINAL PROSECUTION**

Lawsuits for trademark infringement are prosecuted before state courts and through private criminal prosecution brought by the rights holder. However, most acts of copyright infringement (except for software infringement) are prosecuted before state courts as public criminal actions.

While the penalty for trademark infringement ranges from imprisonment of three months to one year or a fine, the penalties for copyright infringement (where the violation has economic consequences) may vary from imprisonment of two to four years and a fine.

Before a criminal prosecution for trademark infringement is initiated, the illegal activity must be proved. Before filing a lawsuit seeking detention of the infringer, the rights holder must proceed with a preliminary criminal search and seizure action, where a court-appointed expert will seize and examine samples of the products. If infringement is confirmed, the expert's opinion is homologated by the criminal judge and the rights holder will have 30 days to file the criminal action.

In cases of copyright infringement, the public authorities can initiate the public criminal action ex officio or at the request of the rights holder. In both cases, the copyright owner may participate in the action as assistant to the public prosecutor.

The law also grants enforcement authorities the discretionary power to conduct police raids against piracy and counterfeiting activities since they are regarded as criminal offences. Raids are usually conducted in city areas where many street sellers or shops sell counterfeits, especially in places known to be important trade areas, responsible for the distribution of products in the Brazilian territory, in addition to areas famous for being regions dedicated to the manufacturing of these products.

Following the seizure of merchandise in raids, the products are analysed by police experts, a final report is prepared and the rights holder and/or the public authorities are required to file the subsequent criminal actions. Police and criminal actions are effective

enforcement remedies in many circumstances and the equipment and machinery used for the counterfeiting activity can also be seized and destroyed. An advantage of police raids is that they can be conducted against many infringers simultaneously, and even against infringers that have not previously been identified.

### **CIVIL ENFORCEMENT**

The Industrial Property Law establishes that, independent of the criminal action, the aggrieved party may file a civil lawsuit, seeking interim injunctive relief and damages. Both the Industrial Property Law and the Civil Procedure Code allow the granting of ex parte preliminary restraining and/or search and seizure orders. To obtain injunctions of this nature, the following procedural requirements must be met by the rights holder:

- evidence of their right;
- substantial and unquestionable proof of infringement; and
- elements that may demonstrate a reasonable degree of risk of damage if the injunction is not granted.

In some enforcement circumstances, it is recommended to issue a cease-and-desist letter before going to court.

Right holders may use a variety of judicial procedures to protect their intellectual property, from lawsuits with damage claims arising from the proven violation to preparatory lawsuits to obtain proof of the violation (for example to identify sellers of counterfeit products that use famous online marketplaces to trade their illegal products) to obtaining judicial authorisation to conduct search and seizure at establishments manufacturing counterfeit products, and to conduct preliminary inspections on computers, servers and related devices in the search for illegal licences. Finally, the violation of any IP right creates an obligation to pay damages. To this end, the Industrial Property Law rules that the damages will be calculated based on the most favourable criterion to the injured party, as follows:

- the benefits that would have been gained by the injured party if the violation had not occurred;
- the benefits gained by the party that violated the rights; or
- the remuneration that the violator would have paid to the rights holder for a licence that would have permitted them to exploit the rights legally.

Punitive damages can also be claimed but are seldom granted.

The civil compensation procedures are often slow and time-consuming, and their success depends on the evidence of damages, the circumstances and the defendant's financial situation.

### **TAX ENFORCEMENT**

In addition to Customs inspecting products entering the Brazilian territory, the Federal Revenue Service also carries out enforcement measures, resulting in the removal of tons of counterfeit products from the Brazilian market.

Upon the presentation of a complaint from the rights holder with substantial and unquestionable proof of the irregularity (tax crimes and crimes against intellectual property)

of the products, the Federal Revenue Service will seize the irregular products, and, at the end of the fiscal procedure, these items will be sent for destruction, and those responsible will be penalised.

If the rights holders are interested, they can, on conclusion of the fiscal procedure, obtain the identification of the offenders responsible for selling the irregular products and file a civil enforcement action to recover part of the losses or even a criminal conviction.

The Federal Revenue Service has played an important anti-counterfeiting role. A recent example was Operation Krampus, which took place in November 2022 and resulted in the seizure of 2,000 tons of counterfeit products.

### **ANTI-COUNTERFEITING ONLINE**

In 2014, the Congress enacted Law 12965/2014, known as the Brazilian Civil Rights Framework for the Internet. The law aims to establish principles, guarantees, rights and obligations concerning the use of the Internet in Brazil, as well as to provide guidelines for the public administration on the matter.

Brazil has no specific statute dealing exclusively with online IP infringement, but the legal framework – including the Internet Law – provides an enforcement system against online counterfeiting activities. Case law dealing with online infringement has held that Brazil has jurisdiction over disputes arising from facts occurring or having effect within Brazilian borders. Online infringements are litigated before civil and criminal state courts. Only IP rights validity claims and specific international online infringements fall under federal jurisdiction and must be litigated before a federal court.

The complaint must present evidence of the infringed right, the facts and the connection between these and the defendant (eg, website administrator or internet service provider (ISP)). Identification of the party that is responsible for the alleged infringement, although not mandatory, is recommended and generally necessary for the execution of future enforcement measures.

### **PREVENTIVE MEASURES/STRATEGIES**

Besides registering trademarks, certain preventive measures should be taken to enhance the chances of success of an anti-counterfeiting campaign.

Under Brazilian law, the use of local legal counsel is mandatory when a complaint is filed before the courts. The chosen counsel should be experienced in IP matters, as well as civil, police and customs remedies. The use of investigators is important, as in Brazil the burden of proving the infringement lies with the plaintiff in both criminal and civil cases and the defendant is always entitled to withhold from the plaintiff any self-incriminatory evidence.

Whenever possible, the use of authentication technology (eg, security labels and authentication checking devices) to fight counterfeiting is helpful, and investment in these new technologies is increasing in Brazil. Continuous monitoring of possible counterfeiters is a basic necessity, and sellers of the original goods should be taught how to identify counterfeit goods, receive incentives to do so, report infringements and receive feedback.

With the significant increase in the sale of counterfeit products over the Internet, monitoring online marketplaces and platforms has become a key preventive measure.

In addition, cooperation with official anti-counterfeiting agencies and financial services companies is indispensable to implement and maintain a successful anti-counterfeiting programme. Cooperation can include exchanging investigative information, providing in-person training and collaborating on the logistical organisation of major raids. The dialogue with the competent authorities must not stop; if the rights holder so desires, such dialogue can be conducted through alliances or associations dedicated to fighting counterfeiting formed by companies with similar activities.



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# China: Investment in protection, enforcement and courts signals growing anti-counterfeiting focus

**Eliau Xue**

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## Summary

LEGAL FRAMEWORK

BORDER MEASURES

CRIMINAL PROSECUTION

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## LEGAL FRAMEWORK

In 2022, with the pandemic hindering the recovery of the world economy, China enhanced its focus on intellectual property rights with amendments to laws and regulations, and strengthened law enforcement and justice to combat new trends in infringement and counterfeiting. The amendments to the framework concerning the protection of intellectual property rights (IPR) in 2022 included:

- Provisions on Prohibiting the Acts of Eliminating or Restricting Competition by Abuse of IPR, revised by the State Administration for Market Regulation (SAMR);
- Cybersecurity Review Measures, revised by 13 departments;
- Provisions on Supervision and Administration of Trademark Agents, promulgated by the SAMR;
- Implementation of Interpretation of Several Issues regarding the Application of the Anti-Illegal Competition Law, announced by the Supreme Court;
- Several Provisions on Jurisdiction of Civil and Administrative IPR Cases of First Instance, promulgated and applied by the Supreme Court;
- Notice on Issuing Standards for Basic People's Courts' Jurisdiction over IPR Civil and Administrative Cases of First Instance, issued by the Supreme Court;
- Opinions on Strengthening the Judicial IPR Protection of Traditional Chinese Medicine, issued by the Supreme Court;
- Guiding Opinions on Protecting the IPR of the Seed Industry, Fighting against Counterfeit and Shoddy Brand, and Creating a Good Environment for the Revitalisation of the Seed Industry, jointly issued by seven authorities;
- Provisions on Intellectual Property Credit Management, issued by the China National Intellectual Property Administration (CNIPA);
- Opinions on Strengthening the Coordination of Intellectual Property Appraisal Work, jointly issued by the CNIPA, Supreme Court, Supreme Procuratorate, MPS and SAMR;
- Opinions on Strengthening Collaborative IPR Protection, issued by the Supreme Procuratorate and CNIPA.

## BORDER MEASURES

In 2022, the General Administration of Customs of China (GACC) carried out its "Longteng" campaign to comprehensively strengthen IPR protection, the "Blue Net" campaign to protect the IPR in delivery channels and the "Clean Net" campaign to protect the IPR of export transshipment goods, detaining 61,000 batches of suspected infringing goods, involving nearly 78 million goods items.

Companies engaged in cross-border transactions should take customs protection seriously. It is highly recommended to first record the IPR in the GACC system. Information of authorised factories or companies involved in import or export should also be recorded under the respective IPR. Customs all over China will then ex officio take preliminary action to detain or release a shipment based on the recorded IPR and its authorised companies, usually referred to as 'white list' companies.

If the company related to the shipment is in the white list, its import and export will not be affected. Otherwise, the goods will be temporarily detained. After the temporary detention of suspected infringing goods, local Customs will issue a notification to the right owner, requiring the right owner to respond within three working days as to whether to finally detain or release the goods. Right owners that decide to detain the goods should also pay a security bond equalling the value of the detained goods. If the right owner does not respond within the time limit, or does not pay the security bond, the goods will be released. For goods which are detained, the local customs will conduct a deep investigation to confirm the infringement or counterfeit.

If the customs investigation does not confirm the infringement, the customs detention is improper and the right owner needs to pay damages to the owner of the detained goods for the harm caused by the improper customs action. If infringement or counterfeit is confirmed, a penalty will be imposed on the infringers. Where the value of the detained counterfeit goods meets the criminal threshold, the local customs will transfer the case to the public security bureau (PSB) for criminal investigation. In March 2022, the Customs of Chengdu Shuangliu Airport seized 1,488,300 game cards, 18,000 laser card books, 16,200 commemorative coins, and 72,000 sets of plastic protective cases in export cargos. They were suspected of infringing the POKEMON trademark of Nintendo Co, Ltd by the confirmation of the right holder. Customs detained the goods and transferred the cases to the PSB for criminal investigation. This case is typical in showing that law enforcement cooperation between the PSB and Customs builds strong cross-border protection of IPR.

## CRIMINAL PROSECUTION

### KEY POINTS

Criminal prosecution needs to go through three stages, PSB investigation, procuratorate initiating public prosecution and the criminal trial.

In the PSB criminal investigation, some cases are reported by the right owners and some are discovered by the PSB. There are also some cases transferred by the local Administration for Market Regulation or Customs because the value of the counterfeits meets the criminal threshold. Throughout 2022, the Ministry of Public Security organised public security organs across the country to carry out special campaigns such as “Kunlun 2022”, and solved 27,000 criminal cases involving IPR infringement and the production and sale of counterfeit and inferior commodities. Especially to help create a favourable legal environment for IPR protection for the success of the 2022 Beijing Winter Olympics and Paralympics, in January 2022, Beijing PSB arrested 10 suspects and destroyed six dens manufacturing and selling pirated Bing Dwen Dwen and Shuey Rhon Rhon (ie, official mascots) products.

In the second stage, the procuratorate will examine the documents, interrogate the suspects, listen to the opinions of both the victim and suspects, and decide whether supplementary investigation is needed. If the procuratorate believes that the evidence is sufficient, it will prepare the sentencing opinion and officially initiate the public prosecution before the court. In 2022, the procuratorates in China approved the arrest of more than 3,900 suspects and prosecuted more than 14,000 persons for producing and selling counterfeit and inferior goods.

In the last stage, the court will try the case and issue a judgment. If the court believes that the evidence is insufficient, it may ask the procuratorate to provide more.

## PRELIMINARY MEASURES

The criminal investigation of trademark crimes should, by law, be conducted by the PSB. The main points of a criminal investigation are as follows:

- the case report is examined and the trademark owner's basic information is verified (including the goods approved for use under the trademark and the ownership and transfer or licensing of the mark);
- an investigation is conducted into the time, place, company or individual involved with the counterfeit goods. This includes the timely collection of the counterfeit goods, signs and other evidence, as well as verification of the authenticity of the goods or signs, generally issued by the rights holder of the identification report;
- the relevant items are detained or sealed up, including products or sales documents and other information, while control of the relevant personnel on the scene is maintained; and
- the value of the products involved in the case is appraised to determine the extent of the crime.

## REMEDIES

Whoever uses the same mark as the registered trademark on the same goods or services without the permission of the owner, where the circumstances are serious, shall be sentenced to fixed-term imprisonment of not more than three years with concurrent or single fine; where the circumstances are particularly serious, the penalty shall be fixed-term imprisonment of between three and ten years and a fine.

Whoever knowingly sells counterfeit goods bearing registered trademarks, where the amount of illegal gains is relatively large or there are other serious circumstances, shall be sentenced to a maximum of three years' fixed-term imprisonment, with concurrent or single fine; where the amount of illegal gains is huge or there are other particularly serious circumstances, the penalty shall be a fixed term between three and ten years and a fine.

If a legal entity commits the above crimes, the entity shall be fined, and the directly responsible supervisors and other directly responsible personnel are punished according to the above regulations.

If one of the following circumstances occurs, a lighter punishment may be given as appropriate:

- admitting guilt and accepting punishment;
- where understanding has been obtained from the rights holder; and
- showing repentance.

## CIVIL ENFORCEMENT

### KEY POINTS

A civil lawsuit is required to claim sizeable damages. Administrative actions such as the administrative raid action or customs action can dispose of the counterfeits and punish the infringer but cannot compensate the right owner. In the criminal lawsuit, a supplementary civil lawsuit can be filed but the damages will just be calculated based on the counterfeits

seized in the criminal case, resulting in a relatively small damages award. To obtain sufficient damages, the right owner can file a civil lawsuit.

For online infringement, if the infringer does not comply with other enforcement actions such as a cease and desist letter, or the internet service provider (ISP) complaint fails, the right owner should also consider a civil action.

In 2022, punitive compensation for infringement was intensified. The amount of punitive compensation for IPR infringement increased by 153% compared with 2018.

### **PRELIMINARY MEASURES**

Preliminary measures normally include the property preservation, evidence preservation and preliminary injunction.

The purpose of a property preservation application is to make sure that a favourable judgment can be fully enforced. To avoid alerting the defendants, pre-litigation property preservation is recommended. When filing the property preservation application, security of equal value to the preserved property should also be provided. Otherwise, the court may not accept the property preservation application. After receiving the application, the court shall make decision as to whether to approve the application within 48 hours. If it approves, it will freeze bank accounts or detain other property of the defendants.

To preserve evidence, in urgent situations when the evidence may be lost or difficult to obtain in the future, the interested party may apply to the court at the place where the evidence is located, the domicile of the respondent or the court that has jurisdiction over the case before filing a lawsuit or applying for arbitration.

For the preliminary injunction, the court's attitude is conservative. Unless all of the following requirements are met, the court may not approve the preliminary injunction.

- the situation is urgent;
- if the injunction is not issued, irreparable damage will be caused which cannot be compensated otherwise;
- the infringement facts are clear and the evidence is sufficient.

### **REMEDIES**

A favourable judgment will stop the infringing activities, eliminate negative effects and grant compensation to the right holders.

The amount of compensation for trademark infringement shall be determined according to the actual loss suffered by the right holder due to the infringement; if the actual loss is difficult to determine, it may be assessed according to the benefits obtained by the infringer from the infringement. If this cannot be determined, it shall be reasonably determined with reference to the multiple of the trademark licence fee. For malicious infringement of the trademark right, if the circumstances are serious, the amount of compensation may be determined between one and five times the amount determined according to the above methods. The amount of compensation should include the reasonable expenses paid by the right holder to stop the infringement. If it is difficult to determine the actual loss suffered by the right holder, the profit obtained by the infringer, or the licence fee, the court shall award a compensation of less than 5 million yuan according to the circumstances of the infringement.

## **ANTI-COUNTERFEITING ONLINE**

Although counterfeiting is not as serious as it previously was on traditional e-commerce platforms such as Tmall or Jingdong, live streaming platforms have become the new promotion channel of choice for counterfeits. In 2022, China deepened its internet IPR protection actions. Four authorities jointly launched the special action coded “Jianwang 2022” to combat online IPR infringement.

## **UNAUTHORISED INTERNET COMMERCE**

Unauthorised internet commerce includes two situations. One is just using the right owner’s trademark for online attraction of potential consumers and actually selling products of the infringer’s own brand or other brand. The other is promoting and selling counterfeit products.

For the first situation, a simple ISP complaint can solve the problem. For the second situation, deep investigation and comprehensive enforcement actions are necessary.

## **ONLINE INVESTIGATION STRATEGIES**

Investigation of online counterfeiting needs to be combined with offline investigation and enforcement actions. Counterfeits can be detected using a combination of smart monitoring tools and regular manual online searches. Once infringement activity is found, online evidence should be fixed using time stamps or notarisation. The infringer can then be contacted by the right holder or its authorised agent via purchase of products, negotiation of business and/or onsite visit of business address if necessary, which can help the right holder to fully understand the specifics of the infringement. Whether the target is a seller or manufacturer should be identified, as well as whether there is only an online store or a physical shop. The price, type and sales volume of the infringing products of the target should also be noted. Once the necessary information is collected, the appropriate rights protection strategy can be formulated.

## **ISP LIABILITY**

According to Article 1195 of the Civil Code, if a network user uses a network service to commit infringement, the right owner has the right to notify the ISP to take the necessary measures, such as deleting, blocking or disconnecting the link. If the ISP fails to take the necessary measures in time after receiving the notification, it will be jointly and severally liable with the network user for the expanded part of the damage.

According to Article 1197 of the Civil Code, where an ISP knows or should know that a network user has infringed the civil rights and interests of others by using its network services, and fails to take necessary measures, it shall bear joint and several liability with the network user.

Most major ISPs such as Alibaba, Jingdong, Tiktok, etc, have established IPR protection systems that greatly facilitate the right owners’ complaints for the removal of online infringing information. The ISPs make sure that their reaction time complies with the regulation of the laws to avoid taking the joint and several liability with the network users.

## **PREVENTIVE MEASURE/STRATEGIES**

### **USE OF LOCAL COUNSEL AND INVESTIGATORS**

Local counsel and investigators are very familiar with the characteristics of local markets and infringing activities, as well as local policies and businesses, which gives them significant

advantage in discovering the infringement clues and formulating tailored strategies to stop the infringement and recover losses in an efficient way. Therefore, seeking assistance from and cooperating well with local counsel and investigators plays a significant role in finding, combating and preventing infringement, including counterfeits, in local markets.

Since counterfeiting is a serious form of infringement, mere online investigation and monitoring is insufficient. Local investigation needs to be conducted to obtain a full understanding of the scope of infringement and legal analysis of the investigation result is required, which calls for the involvement of the local counsel and investigators.

### **CONTROL OF CONTRACTUAL RELATIONSHIPS WITH THIRD PARTIES**

The right holder should define the rights and obligations with the manufacturers, agencies and licensee in contracts. On one hand, to avoid damaging its own rights, the right holder should not permit third parties to apply, or assist others to apply, for registration of its trademarks, copyrighted works or other intellectual property. Without the right holder's prior consent, third parties should not use, or assist others to use, its trademarks, copyrighted works or other intellectual property. On the other hand, it should be made clear in the contract that third parties will not be involved in any infringement against the right holder. Otherwise, they will bear all related legal responsibility.

### **EFFECTIVE USE OF TECHNOLOGY, AUTHENTICATION AND MONITORING**

There are many online tools for the automatic detection of infringement online. In addition, some large e-commerce platforms are devoted to the development and operation of monitoring infringement within the platform.

With the booming development of Internet and AI technology in mainland China, some IP companies and firms have also established their own online platforms to conduct IP infringement monitoring and time-stamp authentication. For simple monitoring, clients can use this by themselves. For complicated monitoring that may require legal analysis, local counsel will be involved to provide legal services.

### **COOPERATION WITH NATIONAL ANTI-COUNTERFEITING AGENCIES**

China has established the National Leading Group for Combating Intellectual Property Infringement and Production and Sales of Counterfeit and Shoddy Commodities, which is supervised by the State Council. This group focuses on the IP protection and anti-counterfeiting from the government standpoint. In addition, China has a number of anti-counterfeiting or IP protection agencies, such as the Beijing Anti-infringement and Anti-counterfeiting Alliance and the Alibaba Anti-counterfeiting Alliance, which fight counterfeiting by promoting cooperation between e-commerce platforms and enterprises, holding regular exchange meetings and reporting the latest progress of judicial protection in the industry. Companies can protect their IPR through cooperation with these institutions.



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# France: EU legislation and amended national IP code prove a formidable combination

**Karine Disdier-Mikus and Pierre Nieuwyaer**

Fiducial Legal By Lamy

## Summary

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## LEGAL FRAMEWORK

As a member of the European Union and WIPO, France complies with all EU regulations and directives, as well as all the major international treaties concerning IP rights. As such, EU trademarks and designs are protected in all French territory. The French IP Code protects other IP rights (eg, copyright and related rights, patents and utility models).

The IP Code was amended by Law 2014/315 (which entered into force on 13 March 2014) transposing EU Regulation 608/2013 concerning customs enforcement of IP rights and strengthening the fight against counterfeiting and infringement. It was also recently amended by Ordinance 2019/1169 of 13 November 2019, followed by Decree 2019/1316 of 9 December 2019. The new EU customs regulation 608/2013 and corresponding Implementing Regulation 1352/2013 are thus fully applicable in France and are transposed in Articles L 335-10 (copyright), L 614-32 (patents), L 716-8 (trademarks), L 722-9 (geographical indications), L 623-26 (plant varieties) and subsequent articles of the IP Code.

Where the EU Regulation 608/2013 does not apply (ie, where the suspected goods enter or leave one EU member state from or for another EU member state), rights holders can rely on the national provisions of the French IP Code. The French Customs Code also applies to customs and criminal procedures.

## BORDER MEASURES

The fight against counterfeiting and the defence of IP rights, specifically blocking the introduction of counterfeit goods and their sale on the internal market, requires monitoring both within national territories and at EU borders.

According to Europol and EUIPO's 2017 Situation Report on Counterfeiting and Piracy in the European Union, border defence is still considered to be far more effective than detaining goods that are already circulating. To this end, French Customs plays a strategic role through its presence at France's borders, airports and ports, as well as its ability to act anywhere on French territory, including France's overseas departments and territories. Effective border control is possible thanks to French Customs' extensive inspection and investigation measures for searching and examining goods, transport and persons, including the right to communication of all commercial documents. Thus, according to its annual report, French Customs seized 11.53 million counterfeit articles in 2022, which is 27% more than in 2021.

Businesses importing or exporting goods into or out of the European Union must use an economic operator registration and identification (EORI) number in all customs procedures. The purpose of the EORI system is to standardise the registration of economic operators in accordance with Article 9 of the European Union's Uniform Customs Code.

## CUSTOMS WATCH APPLICATION

Both EU Regulation 608/2013 and the French IP Code provide for border enforcement measures under which a rights holder or an exclusive licence holder may request that Customs watch imports and detain goods suspected of infringing IP rights. The resulting customs watch is valid for a one-year period (renewable) and covers goods imported onto French territory from other EU member states as well as goods imported from outside the European Union.

Once the customs watch is in place, Customs will detain suspected infringing goods and alert the rights holder as to the nature and quantity of the goods. The rights holder must then confirm within 10 working days (or three working days in the case of perishable goods) that the detained goods are indeed counterfeits and either request their destruction or commence legal proceedings against the importer.

During the detention period, the rights holder or an authorised third party may request, for the strict purpose of bringing legal proceeding against the importer:

- a sample of the detained goods for analysis; and
- the name and address of the consignor, importer and consignee or holder of the detained goods.

Communication of this information forms an exception to the customs authorities' duty of professional secrecy as provided for by Article 59 bis of the Customs Code.

Unlike other EU jurisdictions, in France such information may only be used to initiate legal proceedings. If the information is used for other purposes, Customs may abrogate, suspend or refuse to renew the customs watch.

Failure by the rights holder to confirm the counterfeiting nature of the goods and initiation of legal proceedings within the 10-day limit will result in Customs releasing the goods, although the period may be extended by an additional 10 working days at the request, duly justified, of the rights holder or authorised third party.

As a result of the EU-wide customs measures put in place by EU Regulation 608/2013 and the sharp increase of seizures of suspect goods at the French border, French Customs now invoice the rights holder for the costs incurred in seizing, handling, transporting and destroying suspected infringing goods pursuant to a customs watch application.

### **SMALL PACKAGES**

In addition to the standard customs watch, the rights holder may request an accelerated seizure and destruction procedure for infringing non-perishable goods sent in small packages. Suspected counterfeit goods sent by post or courier weighing not more than 2 kilograms and containing fewer than three items may be seized and destroyed by Customs unless, within 10 working days, the goods' owner expressly refuses to consent to their destruction; silence being taken to imply consent. Where consent is refused, the rights holder must follow the standard destruction procedure.

### **EX OFFICIO CUSTOMS SEIZURE**

In the absence of a customs watch application, French Customs may automatically detain any non-perishable goods suspected of infringing IP rights for up to four working days. The goal of this ex officio seizure procedure is to permit the rights holder to file an application for customs intervention. Failure to do so within the time limit will result in Customs immediately releasing the seized goods back onto the market.

### **CASE LAW**

EU Regulation 608/2013 does not set out any provisions likely to render ineffective the European Court of Justice's (ECJ) Nokia case law (1 December 2011, Nokia and Philips, C-446/09 and C-495/09, EU:C:2011:796). Since that decision, EU Customs have been

prohibited from seizing infringing merchandise merely transiting through EU territory to be marketed outside the European Union, in the absence of concrete evidence that these non-community goods were, or were about to be, the subject of a “commercial act directed at European Union consumers, such as a sale, offer for sale or advertising”. This decision has had a severe chilling effect on the number of products stopped by French Customs in EU territory.

The EU legislature has taken measures to balance the ECJ’s interpretation by adopting the trademark reform package including EU Regulation 2017/1001 (replacing amending Regulation 2015/2424) and EU Directive 2015/2436.

Article 9(4) of the EU Regulation 2017/1001 and Article 10(4) of the EU Directive 2015/2436 now provide that the owner of a trademark will also be entitled to prevent all third parties from bringing goods, in the course of trade, into the EU without being released for free circulation there, where such goods, including packaging, come from third countries and bear without authorisation a trademark that is identical to the EU trademark registered in respect of such goods, or that cannot be distinguished in its essential aspects from that trademark.

Seizure of such goods by French Customs can therefore be challenged only if the declarant or owner of the products proves that the trademark owner has no right to prohibit the marketing of these goods in the country of final destination. These provisions therefore reverse the burden of proof as set out in *Nokia*. Accordingly, Article L 713-3-2 of the IP Code also provides for a clear prohibition against the introduction of infringing goods in transit.

In a 7 March 2018 decision, the French Supreme Court highlighted the autonomy of customs procedures, pointing out that Customs may seize infringing goods on the basis of a customs offence, even if the IP rights holder confirming the infringing nature of the goods has brought no civil or criminal action for infringement or lodged no complaint with the public prosecutor within the timeframe provided by the IP Code. As customs violations form an independent class of offences, they are sufficient in themselves to justify the seizure of the goods by the customs administration (Cass com, 7 March 2018, 16-24.851).

## **CRIMINAL PROSECUTION**

An IP rights infringement may be pursued through a civil or a criminal action. Criminal proceedings are not the most favoured option for rights holders; however, criminal penalties are usually considered to be more dissuasive for infringers. The criminal process in France is inquisitorial, meaning that in many cases (except for minor offences) an examining magistrate plays an active role in the conduct of the investigations and is responsible for preparing the case for trial. Criminal investigations are performed by the criminal investigation department or Customs under the authority of the public prosecutor or an examining magistrate.

Criminal proceedings may be initiated by the public prosecutor either directly (which is rare in IP matters) or following a seizure by Customs or a criminal complaint filed by the rights holder.

Where a trademark offence is found to have occurred, the offender may be sentenced to four years’ imprisonment (seven years in certain circumstances) and issued with a fine of up to €400,000 (or €750,000 in certain circumstances). Criminal courts may also order the removal of infringing goods from commercial circulation at the offender’s expense, the total or partial closure of the premises used to commit the offence, and the publication of the

judgment. Article 414 of the French Customs Code also provides that customs penalties can be increased to up to 10 years' imprisonment and a fine up to 10 times the value of the infringing goods if the offence is committed by an organised criminal group.

Moreover, damages may be obtained by the rights holder if it brings a civil complaint and takes part in the criminal proceedings. However, damages in criminal proceedings are significantly lower to those awarded by civil courts.

### **CIVIL ENFORCEMENT**

In France, trademark infringement proceedings must be brought before specialised courts. In total only 10 courts in France have jurisdiction in IP matters, while the Paris District Court has exclusive jurisdiction over actions involving patents, EU trademarks and EU designs. The rights holder (or exclusive licensee, if it is authorised to do so) can file an action for infringement within five years from the day on which the rights holder knew, or should have known, of the events entitling it to initiate legal proceedings.

### **SAISIE-CONTREFAÇON**

The seizure operation known as 'saisie-contrefaçon' is a highly efficient means to prove infringement in France. This pre-trial procedure allows rights holders to obtain an ex parte court order from the president of the court with jurisdiction authorising a bailiff, with the assistance of police officers if required, to collect evidence of the infringement (eg, from the alleged infringer's premises, a shop, Customs or a trade fair). Simultaneous seizures are sometimes necessary, and coordination is therefore required to preserve the element of surprise.

As it is an ex parte proceeding, the way the bailiff may conduct the operation is strictly circumscribed by law. In this respect, French courts regularly invalidate seizures where the bailiff does not strictly respect the court's order. During the seizure, the bailiff usually may collect samples of the allegedly infringing goods, and related commercial documents (eg, invoices, catalogues and brochures). The bailiff may also, with express authorisation from the judge, seize the entire stock of allegedly infringing goods.

The rights holder must thereafter bring a civil or criminal infringement action within 20 working days or 31 calendar days (whichever is longer) from the date of seizure under penalty of the seizure being declared void.

### **PRELIMINARY MEASURES**

Rights holders may request the specialised IP courts to grant preliminary injunctions with the aim of preventing acts of alleged infringement. In order to obtain such measures, the complainant must provide evidence demonstrating the plausibility of the infringement occurring.

Depending on the degree of urgency, the complainant may choose to request preliminary injunctions through the référé d'heure à heure or référé procedures (interlocutory applications), both of which are adversarial procedures. Preliminary injunctions may be granted within a few weeks, in case of a référé d'heure à heure, and within a few months in case of a référé. In rare circumstances, the rights holder may request injunctions ex parte through the requête procedure (urgent interlocutory application), in which case a decision is rendered within a few days.

Preliminary measures are immediately enforceable and are usually ordered subject to penalties. Courts may order precautionary seizure of the alleged infringing goods or provisional prohibition in addition to the payment of provisional damages. These injunctions may be obtained against the alleged infringer, but also against intermediaries (eg, a transporter, e-platform or internet service provider (ISP)) even though the action on the merits is in fact aimed at a different alleged infringer.

These preliminary proceedings may be initiated either before or after commencing the principal action. If obtained before a proceeding on the merits is initiated, the rights holder must file its principal action within 20 working days or 31 calendar days (whichever is longer). Otherwise, all preliminary measures will be revoked and the would-be claimant exposed to the risk of an order for payment of damages.

## REMEDIES

Remedies are available to rights holders regardless of whether the infringement is intentional, direct or contributory. Punitive damages, however, are not available under French law.

French courts consider the following criteria when determining the amount of compensatory damages to award:

- the negative or detrimental economic consequences of infringement (ie, the material losses and loss of earnings suffered by the rights holder);
- the moral or non-pecuniary harm (ie, harm to the trademark's distinctive character, renown or prestige); and
- the financial benefit realised by the infringer.

As an alternative, at the rights holder's request, the court may set damages as a lump sum, which must be greater than the royalties that would have been owed if the infringer had sought a licence from the rights holder. This amount is not exclusive of compensation for non-pecuniary harm caused to the rights holder.

## ANTI-COUNTERFEITING ONLINE

Memoranda of understanding, good practice guides and public campaigns are among the many soft-law measures that may be put in place by trademark associations, brand owners and even online marketplaces to tackle online counterfeiting on a global scale. These initiatives are available in addition to the traditional means of action taken by brand owners or law enforcement authorities through customs intervention and civil and criminal proceedings. ISPs may be held liable for IP infringement if it is proven that the ISP has played an active role (ie, has contributed to the infringing act). If the ISP has only participated passively, it nonetheless risks being held liable under the Act on Confidence in the Digital Economy (21 June 2004) if, on receipt of notification from the rights holder that certain content is unlawful, the ISP fails to remove that content or to disable access to it promptly.

In France, brand owners and certain online platforms have signed a charter to fight counterfeits online (16 December 2009), which organises cooperation between brand owners, online platforms and law enforcement authorities, and helps to implement preventive measures (eg, technical detection measures) and active measures (eg, notification procedure from brand owners). The National Institute of Industrial Property, in

collaboration with the National Anti-counterfeiting Committee, monitors the application of this agreement.

On 26 March 2019, a charter was signed by major French online platforms to improve their relationship with small and medium-sized companies. The charter also aims at making the fight against counterfeiting more efficient by putting in place a reporting process allowing sellers to alert the platform of any counterfeit item that they encounter on that platform. It will then be up to the platform to take all necessary measures to cease offering those items to the public. Unfortunately, although they took part in the drafting process, a number of major international actors did not sign the charter.

At the European Union level, many initiatives and good practices have also been taken to address the challenges of online and offline counterfeiting, including the creation of the Intellectual Property Crime Coordinated Coalition (IPC3) in July 2016, located at Europol and funded by the EUIPO. The IPC3 provides operational and technical support to law enforcement agencies in the European Union and overseas. Among other activities, it:

- facilitates and coordinates cross-border investigations;
- monitors and reports online crime trends and emerging modi operandi;
- raises public awareness of this type of crime; and
- provides training to law enforcement officers on how to combat it.

Moreover, from April 2023 for a number of listed platforms and from February 2024 for any other online platforms, the new European Regulation Digital Services Act (DSA) will apply. This regulation is intended to strengthen Internet security, in particular by fighting against illegal online acts such as online counterfeiting.

The DSA provides that online platforms will have to propose to Internet users a tool allowing them to easily report illegal content. Marketplaces will have to reinforce the control of sellers offering products online. These measures will necessarily contribute to a better internet security and fight against online counterfeiting.

## **PREVENTIVE MEASURES/STRATEGIES**

One of the most effective measures available in France is the customs watch, outlined above. This process is easy to implement and free, at least until the rights holder requests destruction of infringing goods.

In general, all preliminary measures should be considered as strategic tools before any measure is decided on the merits. Opposition or cancellation actions brought against infringing trademark applications or registrations, or UDRP proceedings against domain names filed in bad faith, are also an effective means by which to prevent future infringement from the moment of filing or registration.

Moreover, certain luxury brands have set up operational cooperation with customs authorities in countries particularly affected by the import and sale of infringing goods, or even directly via online sales websites.

Similarly, soft law can be an alternative to the legal fight against counterfeiting. Awareness campaigns organised by luxury and fashion houses, as well as charters such as those signed in 2009 and 2019 by certain online platforms, have anchored the fight against counterfeiting in the French commercial and public landscape.



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# Germany: EU directives, international treaties and domestic initiatives boost IP protection

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## Summary

LEGAL FRAMEWORK

BORDER MEASURES

CRIMINAL PROSECUTION

CIVIL ENFORCEMENT

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PREVENTIVE MEASURES/STRATEGIES

## LEGAL FRAMEWORK

The following legislation applies in Germany as a basis for enforcement against counterfeiting:

- the Trademark Act;
- the EU Trademark Regulation (2017/1001);
- the Design Act;
- the EU Community Design Regulation (6/2002);
- the Patent Act;
- the Utility Model Act;
- the Copyright and Related Rights Act;
- the Act Against Unfair Competition; and
- the Trade Secrets Act.

The national German legislation is based broadly on EU directives. It also considers international treaties to which Germany is a contracting party (eg, the Paris Convention).

In case of virtually identical lookalikes (slavish imitations) that are not within the scope of IP rights, the Act Against Unfair Competition provides for complementary protection if additional unfair acts are committed (eg, an avoidable deception of origin). Requirements are less strict for identical replications. A basic requirement is the imitation of distinctive features of the original that are visible to customers. The complementary protection may even apply where the imitation of appearance is necessary to implement the subject matter of an expired patent, if other equivalent technological solutions are available.

## BORDER MEASURES

A cost-free border seizure application can be filed with the competent customs authority. If this is granted, the customs authorities will withhold suspicious goods that are intended to be introduced into the European Union or Germany. The rights holder is entitled to closely examine these goods. On request, Customs will provide extensive information to the rights holder, including samples of the retained products.

Should the importer or owner of the goods object to destruction, the rights holder may initiate proceedings before a competent court to determine the existence of the IP rights infringement. The rights holder may seek a court order to detain the goods for a longer period.

## CRIMINAL PROSECUTION

Wilful infringement of IP rights is punishable under German criminal law. Unless committed by organised crime or on a commercial scale, such violation is normally prosecuted only if the aggrieved party files a criminal complaint. If committed by organised crime or on a commercial scale, the violation is punishable by imprisonment of three months to five years and may be prosecuted ex officio if there is a public interest. Infringing goods may be confiscated. The Criminal Procedure Act also allows the seizure of goods for investigative and evidence collection purposes. The aggrieved party may also claim damages by adhesion in a criminal court.

Civil and criminal proceedings are not mutually exclusive. Since criminal prosecution is in the hands of the public prosecutors, rights holders do not have the same control over the proceedings as they would have in a civil case. However, in certain cases starting criminal proceedings in order to subsequently gain access to the factual findings may prove beneficial. Criminal investigations can be slow and may be ended without trial following the infringer's payment of an accepted amount, because public interest is lacking or as a result of a plea bargain.

## **CIVIL ENFORCEMENT**

German infringers may always be sued at their legal seat and, alternatively, at the place where the tort is being committed (this alternative is not available under the Trade Secret Act). Infringers having no domicile or legal establishment may be sued at the place where the tort is being committed (ie, the court that has jurisdiction in the geographical area). Except for infringement claims arising under the Act Against Unfair Competition or the Trade Secrets Act, all abovementioned acts provide for the ratio materiae jurisdiction of specialised courts. In matters governed by the Trade Secret Act, the German Federal States may refer the matters to specialised courts; some of them have already exercised the empowerment.

The following remedies are available in civil infringement proceedings:

- claims to cease and desist;
- claims for actual damages;
- unjust enrichment claims;
- subject to certain conditions, claims for destruction and recall or permanent removal from sale of the infringing goods;
- claims for information concerning the origin and sales channels of IP-infringing goods or services (in special cases, these claims may also be asserted against certain third parties);
- under certain conditions, claims that the infringer submit or allow access to banking, financial or commercial documents;
- information claims regarding nature and scope of the infringing acts; and
- claims for the publication of the final judgment.

## **PRELIMINARY MEASURES**

Preliminary ex parte injunctions can be obtained in urgent matters without a hearing. Until recently, such orders were made ex parte within a few days. However, recent case law strengthened the defendant's right to be heard. Therefore, the court is relatively likely to exercise its discretion and order oral hearings to take place and grant abbreviated deadlines for written argument, particularly if the defendant had no chance to present its arguments out of court or within a protective letter. Accordingly, it has become more common to hold a hearing before the decision is made.

If a party suspects that it could be wrongly subjected to a future request for an ex parte injunction, it may file a protective letter, explaining and demonstrating that it is not infringing. The protective letter is centrally filed with an electronic register and considered if a motion for an interim injunction is filed.

The issuance of preliminary injunctions requires urgency, which is typically assumed in counterfeiting actions. However, if the claimant has been aware of the infringing acts for a considerable period without having taken action, the courts will reject the application for a preliminary injunction due to a lack of urgency (this period is not legally defined; it is recommendable that the request for the injunction be filed within one month from the date of taking cognisance of the relevant facts).

The application for a preliminary injunction must be accompanied by documentary evidence providing persuasive prima facie proof of:

- the counterfeiting acts;
- the petitioner's rights on which the claims are based; and
- the involvement of the defendant.

Only evidence that is presented with the submissions or at the hearing will be considered. While witnesses must be heard directly before the court in substantive proceedings, written witness declarations (affidavits) are usually admissible in preliminary proceedings. The court may, on rare occasions, decide to hear witnesses, but affidavits continue to be accepted (unlike in substantive proceedings).

If a preliminary injunction is issued in the form of an order without holding a hearing, it can be opposed by the respondent. The court will then hold a hearing within a short timeframe for a decision by way of judgment on whether the injunction should be upheld. The preliminary injunction remains enforceable as long as it is not annulled. Only in rare cases will the court – at the defendant's request – decide to temporarily suspend enforcement of the preliminary injunction. The first-instance judgment can be appealed.

If at a later stage the preliminary injunction proves to have been unfounded, the petitioner must compensate the respondent for damages that it suffered as a result of the enforcement of the measure or for a provision of security by the opponent to avert the enforcement or to repeal the measure. Consequently, since a preliminary injunction generally entails the respondent's obligation to recall the products from its customers, damages resulting from such a recall (which are usually considerable) must be borne by the petitioner if the injunction ultimately proves to have been unfounded. Although court proceedings in Germany are relatively cost efficient and generally affordable for small entities, the threat of a compensation claim in such cases may dissuade small entities from filing for a preliminary injunction. For now, it is unclear whether the courts will allow applications explicitly excluding the obligation to recall infringing goods, which may be a strategy for small entities.

In preliminary ex parte measures only some of the available remedies are admissible (particularly injunctive relief comprising an order to cease and desist, but also urgent sequestrations and claims for disclosure of information to prevent further illegal acts, such as information about deliverers and customers or inspection by a court-appointed expert in patent and utility model matters). Claims for damages, for example, can be enforced in substantive proceedings only. According to recent case law, procedural equality of arms may require a hearing before a decision on the motion is issued.

Even if preliminary relief is granted and upheld in opposition or appeal proceedings, it may become necessary to initiate substantive proceedings for the court to confirm the preliminary decision in a substantive proceeding. Such substantive proceedings can be ordered by the court at the infringer's request. The court then sets a deadline initiating

substantive proceedings. If the claimant misses this deadline, the court will annul the preliminary injunction on request. The preliminary injunction will also be annulled at the defendant's request if the claim to cease and desist becomes time-barred.

Therefore, unless the infringer does not explicitly accept the preliminary injunction as a final and binding determination of the matter, the claimant should initiate substantive proceedings before the claims enforced by preliminary proceedings become time-barred.

### **SUBSTANTIVE PROCEEDINGS**

A final judgment can be obtained only in ordinary court proceedings, which are initiated by filing a substantiated statement of claim. If the claimant is located outside the European Union, and mutual enforcement of court orders is not assured the court may order it to provide security for the costs of the proceedings at the defendant's request.

The court usually orders preliminary written proceedings before an oral hearing is held. Where relevant asserted facts are disputed, the asserting party (usually the claimant) bears the burden of proof, which can be done by:

- hearing of a witness or court-appointed expert;
- taking visual evidence (of persons or things);
- providing records and documents; and
- (in exceptional cases) hearing of the other party.

The court does not conduct an ex officio examination of the facts. The parties must assert factual circumstances fully and truthfully, or else risk criminal prosecution. Only facts that are asserted in the party's written submissions will be relevant for the taking of evidence as directed by a procedural order issued by the tribunal. If the party bearing the burden of proof is unable to provide persuasive evidence for an asserted fact, the court will regard this alleged fact as unproven.

If a claim is based on a registered IP right, the court is essentially bound by the registration, even if it is convinced that the IP right was wrongly registered. However, the court may suspend the proceedings at its discretion if the IP right is contested in nullity proceedings until a decision has been made in those proceedings. As far as national German IP rights are concerned, the infringement court may not dismiss the infringement claims if it considers the IP right to be legally invalid, unless such right has been declared invalid by the competent court or an admissible counterclaim for invalidation is pending in the infringement proceedings before it. For example, the validity of EU trademarks and Community designs can be contested through a counterclaim in the same proceedings. In preliminary injunction proceedings, the court may consider a probable invalidity of the IP right when weighing the opposing interests in regard to a cease and desist order.

There are two instances of substantial proceedings. In the first instance, the court usually issues a decision within one or two years, which can then be appealed. In the second instance, the higher regional court reviews this decision with regard to errors of law. In exceptional cases, new circumstances and facts of the case may be examined. In some cases, the parties can appeal the second instance decision of the higher regional court to the German Federal Court on points of law.

Reasonable attorneys' fees and court fees are awarded based on the value in dispute, depending on the extent to which a party prevails in the final decision of substantive proceedings, as well as preliminary proceedings.

### **ENFORCEMENT OF COURT-ORDERED INJUNCTIONS**

If an infringer violates the injunction, at the request of the claimant the court can impose a fine on the infringer, provided that the injunction contained a warning of the fine (which it usually will).

Fines can reach up to €250,000 for each violation. In case of a first violation, fines of around €5,000 (or lower for minor violations) are usual. Unlike contractual penalties in case of a breach of a cease and desist undertaking, the fines go to the state treasury and not directly to the requester. The fine proceedings are an effective way to ensure compliance with injunctions and guarantee fair treatment in court proceedings.

### **CEASE AND DESIST LETTER**

It is typical to send a cease and desist letter to opponents before initiating court litigation; however, this is not required by law. Where a court order is applied for or a preliminary injunction is obtained without a cease and desist letter, the opponent may acknowledge the claim immediately and apply for an order for costs against the claimant, even if the claim is founded.

Sending a cease and desist letter may be inappropriate if the claimant suspects that the opponent may subsequently attempt to dispose of the counterfeit products. In this case a preliminary ex parte injunction comprising a sequestration order without prior warning may be preferable. The courts usually rule that requiring a prior warning is unreasonable in such cases and order the opponent to bear costs, even if the claim was immediately acknowledged.

If a cease and desist request is unfounded, the issuer of the letter is liable for the damages sustained as a result of taking precautionary measures in connection with the request. In certain cases, a lawyer sending the request to cease and desist can be held personally liable.

In order to avoid court proceedings, the opponent must acknowledge the asserted claims. With regard to the cease and desist claim, the opponent must issue an undertaking to cease and desist providing for an appropriate penalty in case of a future violation thereof, if the claim to cease and desist results from actual infringement (and not merely a danger of first infringement). A cease and desist declaration without contractual penalty is basically legally insufficient.

If the accusation in the cease and desist letter is unjustified, the person being warned may counterclaim against the issuer. Therefore, if the holder of an IP right is uncertain whether a third party can potentially prove justification (eg, invoke a prior user right or exhaustion of rights), it may be preferable to only present the facts to the potential infringer and invite them to send a reply, but not to assert claims for infringement. Many cases can be settled this way.

### **ANTI-COUNTERFEITING ONLINE**

Offering goods or services infringing a trademark valid in Germany to customers physically located in Germany is a tortious act. According to the applicable EU regulations and the German Code of Civil Procedure, the jurisdiction for dealing with such torts depends on whether the act is committed (ie, has effect) in Germany and the local territorial

jurisdiction of the respective court. Many infringements are first detected on the Internet. The abovementioned provisions in relation to infringements in general also apply to infringing offers made online. Infringing offers made through the Internet may be pursued in Germany with civil and/or criminal measures, as would be the case with infringements physically taking place in Germany if IP rights are infringed. Pursuant to the European Court of Justice Case C-172/18 (5 September 2019), owners of EU trademarks can also file infringement suits in a country in the territory of which the potential trademark infringer has carried out advertising measures that are (also) directed at customers in that country, even if these are deployed via the Internet from another EU member state.

However, if there is no evidence concerning infringing acts committed in Germany (aside from the availability of a public offer via the Internet) and the language of the offer is German, it may be arguable whether the offer was made to customers in Germany. If such an online offer is combined with a disclaimer (eg, 'not sold to Germany'), actual sales in Germany are required for establishing German jurisdiction and the application of German IP law.

Enforcing trademarks or name rights against domains is subject to the dispute resolution policy of the agency administering the respective domain. DENIC, which administers the '.de' domain, does not have an independent dispute resolution policy; therefore, any infringing use of a '.de' domain must be prosecuted in German courts. DENIC supports the claimant by means of a DISPUTE entry, meaning that the domain cannot be transferred to a third party. To do this, claimants must prove that they might have a right to the domain. After the entry is made the claimant must assert the right against the domain holder, otherwise, it will be removed. The holder of the entry becomes the new domain holder as soon as the domain is deleted or waived by the current owner following a court decision. The DISPUTE entry is initially valid for one year and can be extended if a dispute is still pending.

Previously, online platforms were only held liable as indirect infringers for IP infringements. This means that, for example, if trademark owners identified a violation through third-party listings, taking action against the platform operator was often ineffective.

However, according to a recent decision by the European Court of Justice (ECJ) (Case C-148/21, dated 22 December 2022), this responsibility is no longer unlimited for platforms that not only enable third-party sales but also engage in direct sales themselves. The ECJ has now opened the possibility for platform operators to be considered trademark infringers, even if the infringing offers originate from third parties.

This decision is beneficial for trademark owners, as it allows them to potentially assert claims against the platform operator itself, regardless of whether the operator had knowledge of the trademark infringement. Particularly when third-party sellers are located abroad, pursuing the platform operator may be a more practical approach to effectively combat trademark infringements.

Whether the commonly used, often inconspicuous indications by many platforms that an item is offered by a third-party satisfy the ECJ's requirements for excluding platform liability remains to be seen.

## **PREVENTIVE MEASURES/STRATEGIES**

Preventive measures may vary greatly, depending on the market in which the rights holder operates. Essentially, preventive measures should be considered on two levels.

With regard to violations by competitors that are operating legitimately, but which inadvertently and negligently infringe IP rights, it is recommended to set up watch services to monitor IP rights filing activities. The marketing department of rights-holding entities, assisted and guided by the IP department, should regularly monitor the market for infringements by undertaking the appropriate searches or contracting such searches out to specialised service providers. This covers not only the first category of infringers, but also counterfeiters that wilfully infringe IP rights.

If counterfeit goods are known to be destined for import into the European Union, it is highly recommended to apply for border seizure of the goods under EU Regulation 1383/2003 and/or national German legislation. German Customs is part of COPIS, the EU-wide IP rights database for customs enforcement. It is crucial to provide COPIS with as much information as possible concerning potential infringers, means of identifying infringing articles, possible ports of entry and potential recipients, among other things. It may also be beneficial to conduct training programmes with German Customs to demonstrate how to recognise counterfeit products.

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# Greece: Enforcement actions urgently needed to take on uptick in digital fakes and offline fraud

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## Summary

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PREVENTIVE MEASURES/STRATEGIES

Illicit trade in counterfeit and pirated goods is a long-standing, ever-evolving and rapidly adapting challenge that has a major economic impact on global markets, while also posing severe risks to business viability and consumer health. Its adaptability was tested during the covid-19 pandemic and its resilience was proven as, despite the recession, counterfeiters altered their modus operandi and turned the economic downturn into an opportunity for profit.

The pandemic has shifted international trade to the digital world, forcing businesses to conduct the vast majority of their sales online and strengthen their online presence through social media and digital marketing in general. In addition, the abiding emergence of innovative technologies that transform e-commerce into a completely consumer-friendly environment is another key factor shaping the digital markets era. Illicit traders quickly appreciated the adjustment of the modern supply chain to the rapid growth of e-commerce and made it the most popular route for channelling counterfeit products into the market. However, in accordance with the recent Operation Fake Star Analysis Report of the EUIPO, conventional offline marketplaces are still an important part of illicit trade, which should not be neglected by enforcement bodies due to the boom in digital markets.

Greece remains a key destination for illicit trade in counterfeit and pirated goods because of its geographical position – being one of the major EU countries for the transit of goods to mainland Europe – and its long tourist season with a significant number of visitors, a number that set a record in 2022 reaching 27.8 million visitors.

Counterfeit and pirated products are carried by every means of transport within the Greek territory; however, sea transport plays a leading role in channelling counterfeits into the Greek market as the greatest volume of counterfeits arrives at the ports of Piraeus and Thessaloniki via container ships. The Third Customs Office of Piraeus and the First Customs Office of Thessaloniki continue to record the largest volume of detentions in terms of both number of items detained and estimated value.

Eleftherios Venizelos Airport Customs also recorded a significant number of detentions, as small parcels and consignments, mostly originating from internet sales, are usually transported by air.

The customs offices at the Greek land borders (ie, those of Kipoi, Evros; Promahona, Serres; and Kakavia, Ioannina) recorded significant detentions in terms of number of items detained.

## LEGAL FRAMEWORK

The most important pieces of legislation applicable in Greece for enforcement against counterfeiting include:

- the Trademark Law 4679/2020, which implements the EU Trademark Directive (2015/2436/EC) and the EU enforcement of the IPR Directive (2004/48/EC);
- Law 2121/1993 on copyright, related rights and cultural issues, as amended;
- Law 2417/1996 on the ratification of the Hague Agreement concerning the international deposit of industrial designs, Presidential Decree 259/1997 on implementing the provisions of said agreement and Presidential Decree 161/2002 implementing the EU Designs Directive (98/71/EC) and the EU Community Designs Regulation (6/2002);

- Law 1733/1987 on technology transfer, inventions and technological innovation, as amended, and Law 3966/2011, implementing the IPR Directive (2004/48/EC);
- the Unfair Competition Law 146/1914;
- the Criminal Code;
- the Code of Criminal Procedure;
- Regulation (EU) No. 608/2013 of the European Parliament and of the Council concerning customs enforcement of IP rights and the Commission implementing EU Regulation 1352/2013, as amended by EU Regulations 582/2018 and 1209/2020 (Regulation 608/2013); and
- Law 4712/2020 (as amended and in force by Law 4753/2020), which amends Law 3377/2005 on the restructuring of trade, sets out rules on the establishment and operation of an inter-agency market control unit and regulates the seizure and destruction of pirated or counterfeit goods in the market.

## **BORDER MEASURES**

Regulation 608/2013 is directly applicable in Greece. Since no national border law exists, it sets out the domestic customs intervention procedure.

The Union Customs Code outlines the basic principles regarding clearance and control of goods crossing the external border of the European Union, complementing the regulation.

Regulation 608/2013 contains only procedural rules for customs authorities and does not affect national IP substantive law or the laws of member states regarding criminal procedures.

Customs authorities suspend the release of suspected counterfeit goods following a national or EU application for action (AFA) by the right holder or an authorised party (eg, an exclusive licensee). The applications are granted for one year and can be renewed for a further year. All AFAs are registered by customs in the EU database, COPIS.

As of 13 December 2021, rights holders (or their legal representatives) file and manage their AFAs electronically using the IP Enforcement Portal (IPEP). All information related to AFAs, including the AFA-granted decision, are notified electronically to rights holders (or their legal representatives) through their IPEP account. Notably, the Greek Customs Authority plans to stop sending hard copies related to the annual extension of the AFA to the holder's legal representative.

In addition to the recordation and management of AFAs, IPEP enables rights holders to provide customs authorities (and other enforcement agencies) with information to assist in identifying counterfeits. In particular, it may contain the contact details of rights holders and additional product information and materials (eg, photographs of genuine and counterfeit products) that can help customs authorities in their inspections.

Customs authorities may intervene ex officio, and without any active customs intervention decision, when they suspect that the goods may infringe an IP right. In that case, a national AFA for customs intervention should be submitted within four working days of the notification of the suspension of the release or detention of the goods; otherwise, the goods will be released.

Immediately after the suspension of release of the goods, customs authorities inform the right holder and the holder of the goods of the actual or estimated quantity and the nature of the seized goods, including any related available photographs. The right holder is entitled to inspect the goods in situ or, alternatively, a related sample may be obtained.

The right holder has 10 working days (three working days for perishable goods) from the customs notification to confirm, in writing, the infringing nature of the goods to the customs authorities and to consent to their destruction. If confirmation is not timely submitted to the customs authorities, the goods will be released.

If the declarant or the holder of the goods consents to the destruction, or in the absence of any objection by that person or entity, the seized items will be destroyed at the expense of the decision holder (the simplified procedure).

If the declarant or holder of the goods objects to the destruction of the seized items, the decision holder should initiate litigation proceedings to determine whether an IP right has been infringed. The initiation of proceedings should be notified to customs authorities to prevent the release of the seized goods. In those cases, the goods remain detained under customs authorities' supervision until the finalisation of litigation proceedings.

In most cases, seized goods found to be counterfeit are destroyed under the simplified procedure. Greece had consistently applied the simplified procedure under the previous Regulation 1383/2003. Pursuant to Regulation 608/2013, customs authorities regularly apply the implied consent rule in all cases when the declarant or holder of the goods has neither confirmed their agreement to the destruction nor notified their opposition of it.

Customs authorities also impose administrative fines on infringers, based on the relevant provisions of the Greek Customs Code. Criminal or civil proceedings are not initiated ex officio by Customs authorities within the context of Regulation 608/2013.

Regulation 608/2013 did not set out any provisions intended to render Philips/Nokia (C-446 and 495/09) ineffective or, at least, mitigate its impact.

Nevertheless, the Trademark Law introduced a provision – already included in the EU Trademark Regulation (2017/1001) – extending trademark protection to the cross-border transit of goods: trademark owners may prevent third parties from bringing goods coming from third countries into Greek territory, as well as when those goods are not released for free circulation in Greece and placed in all customs situations, even if the goods are not destined for circulation in the Greek market.

This entitlement of trademark owners applies to infringing marks that are identical to or that cannot be distinguished in their essential aspects from the registered mark. Entitlement lapses if the holder of the goods, who is involved in the relevant customs proceedings, provides evidence that the trademark owner is not entitled to prohibit the use of the trademark in the country of final destination. This facilitates the seizure of counterfeit goods that are stated to be in transit, putting the onus of proving that the goods are not infringing on the holder of the goods.

Customs authorities tend to be more sophisticated when proceeding with detentions, as there has been a significant increase in seizures of products that infringe other types of IP rights besides trademarks, such as industrial designs and copyrights. A key factor in this trend is the training initiatives that have taken place in recent years, which appear to have

broadened the awareness of customs officials on what constitutes a counterfeit/pirated good, beyond trademark infringement.

Nevertheless, the Philips/Nokia principles are still relevant in areas not related to trademark law, raising in some cases severe obstacles to the seizure of counterfeits that constitute clear infringements of copyrighted works.

## MARKET ACTIONS

Protection of IP rights and the fight against counterfeiting demand both defence at the borders and surveillance within the national territory.

Law 4712/2020 aims to lay down a consolidated and strong control mechanism through the creation of an inter-agency structure for controlling the market (an interdepartmental market control unit known as DIMEA), its emphasis being on the tackling of illicit trade in goods and services in the internal market.

The control bodies of this inter-agency unit (ie, the police, the municipal police, the Financial and Economic Crime Unit of the Ministry of Finance, and the coastguard and customs authorities) may seize and destroy counterfeit or pirated goods that have entered the Greek market. These agencies conduct inspections ex officio or upon request of the right holder in flea markets, warehouses, stores, motor vehicles and any indoor or outdoor trade area. The counterfeit or pirated goods seized by the enforcement agencies (excluding customs authorities) may be destroyed immediately through any available means, provided that the holder of the goods consents to their seizure and destruction.

Where the holder of the goods objects to their seizure, the following procedure applies:

- The goods are stored.
- A seizure report, indicating the quantity of the seized items and the infringed IP right, is issued and notified to both the holder of the goods and the right holder.
- The right holder obtains a sample of the seized items and submits, within 10 days, a declaration on whether an IP right has been infringed.
- The competent authority, within 30 days of the issuance of the seizure report, and taking into account the right holder's declaration, concludes whether an IP right has been infringed. If such finding has not been issued within the 30-day deadline or no IP infringement has been confirmed, the seizure is lifted.
- When the competent authority concludes that infringement has occurred, the finding is notified to both the holder of the goods and the right holder, and within three days of the notification the seized items are destroyed. The right holder bears the costs of the destruction.

The inter-agency market control unit is authorised to impose administrative fines of up to €100,000 on the infringers, depending on the quantity of the seized items. The infringer is entitled to file a recourse action against the fine notice within 30 days of its issuance, whereas the decision on the recourse is issued within 30 days of its filing.

Although there were concerns regarding the effectiveness of Law 4712/2020 – mainly owing to the seizure–destruction procedure, the complex organisational structure of the enforcement agencies and the heavy administrative fines – the inter-agency market control

unit proved to be a valuable ally in tackling counterfeiting. Monthly reports on the number and kinds of seized goods are also notified to the brand owners' representatives.

### **CRIMINAL PROSECUTION**

According to Article 45 of the Trademark Law, various acts of intentional trademark infringement constitute criminal offences. Criminal prosecution does not take place *ex officio*, but rather following the filing of a related criminal complaint by the right holder.

The infringer may be sentenced to imprisonment of at least six months and fined no less than €6,000. Professional and commercial-scale infringements are considered to be aggravating circumstances, and a minimum of two years' imprisonment and a fine from €6,000 to €30,000 is imposed for the unlawful use of identical marks for identical or similar products, when particularly high profits are sought or very significant damages are threatened and the infringement is on a commercial scale, or when the infringer is a professional offender.

Under Article 66 of the Copyright Law, copyright infringement is a criminal offence, which is prosecuted *ex officio*. Infringers are liable to imprisonment of no less than one year and a fine from €2,900 to €15,000. If the financial gain sought or the damage caused is particularly great, the offender may be sentenced to a minimum of two years' imprisonment and a fine from €6,000 to €30,000. Imprisonment of up to 10 years and a fine from €15,000 to €60,000 is imposed if the infringer acts by profession, on a commercial scale or is considered a serious threat to the protection of copyright and related rights.

In cases of IP infringement and counterfeiting, general criminal law provisions (eg, those regarding forgery, fraud and the acceptance and distribution of illicit goods) may also be applicable, depending on the circumstances of the case. Criminal provisions are also included in the unfair competition legislation.

Design, patent and plant variety infringement are not criminalised under Greek law.

### **CIVIL ENFORCEMENT**

Greek IP legislation has fully implemented the EU Enforcement of IPR Directive (2004/48/EC).

In cases of IPR infringement, action may be pursued before the civil courts.

### **MAIN INFRINGEMENT ACTIONS**

In the context of main infringement actions, the right holder may request:

- permanent cessation of the infringing activities;
- refrainment from future infringing activity;
- destruction, confiscation or withdrawal of the infringing products;
- moral and material damages; and
- publication of the judgment in the press or online, at the infringer's expense.

Remedies under the first three points are also available against intermediaries.

In many cases, courts may caution the losing party with a penalty for each breach of the judgment.

When calculating damages, the negative economic consequences suffered by the right holder – including loss of profits and profits made by the infringer – are taken into account. Damages may also be calculated based on hypothetical royalties.

Petition for injunction: The right holder may file a petition for injunction before the competent first-instance court. Injunctive measures are ordered, provided that the element of urgency is prevalent in the circumstances of a particular case.

Temporary restraining order: When filing the petition for injunction, the right holder may also apply for a temporary restraining order, which is granted in cases where the petitioner proves the existence of a prima facie serious infringement as a matter of exceptional urgency. Ex parte proceedings are possible in this context but rare in practice.

## **MEDIATION**

Law 4640/2019 has initiated a compulsory initial mediation session prior to the hearing of a case before the courts that arises from patent, trademark and industrial design infringement. That session, along with proof of the lawyer's compliance with the obligation to inform the client in writing about the option of mediation, have become a prerequisite for the admissibility of a main infringement action by virtue of the new provisions.

## **ANTI-COUNTERFEITING ONLINE**

The boom in digital markets has created a more fertile ground for the online sale of counterfeit goods. In addition to traditional online tools (ie, the creation of e-shops and e-commerce marketplaces), counterfeiters are exploiting the power of social media, which undeniably influence consumer habits, to push counterfeits into the market. A common practice is to create a social media page and/or account where supposed branded products are promoted through stories, reels, video/image uploads and consumers are invited to purchase these supposed branded goods at bargain prices via direct messages. Consideration should also be given to the e-commerce feature available on the most popular social media platforms where counterfeits may be traded through fake/ghost accounts.

The trend of online shopping is reflected in the buying habits of Greek consumers, since, according to the PayPal E-Commerce Index Deep Dive: Greece report for November 2022, 76% of Greek consumers shop online at least weekly, with an average spend of €333 per month, while 54% have made a purchase via a social or streaming platform in the past six months. Interestingly, according to EUIPO's Operation Fake Star Analysis Report, in November 2022, Greece's Financial Police Division dismantled a criminal organization, that had distributed 23,000 shipments of counterfeit goods with a value of more than €1.5 million through social media profiles and websites. The bigger the market is the more highly developed tactics are used by bad actors to market counterfeits online. Current trends such as hidden links and NFT platforms appear to be in a premature stage in Greece.

Under local provisions, whenever rights holders become aware of online infringing activity, they may request the blocking of access to the illicit content provided online under Articles 11 and 13 of Presidential Decree 131/2003 (implementing the e-Commerce Directive (2000/31/EC)).

Regarding online copyright infringement, Article 66e of the Copyright Law established a new, fast, extrajudicial process that is a kind of administrative 'notice and takedown' procedure for online copyright infringement. Under this provision, any primary or secondary rights holders, including collective management organisations, whose rights have been infringed

may submit an application before a committee set up ad hoc for this purpose (the Committee for the Notification of Copyright and Related Rights Infringement on the Internet).

If the committee finds that copyright infringement is taking place, it invites the notification recipients (ie, the internet service providers (ISPs) and, possibly, the hosting provider and the administrators or owners of the website) to either remove the infringing content or disable access to the content, as described in the application, by using the most appropriate technical means, depending on the features of the infringement at issue.

Rights holders may apply for an injunction against intermediaries (ie, ISPs) whose services are used by a third party to infringe a copyright or related right (Article 64A of the Copyright Law).

Law 4712/2020 has also established a new directorate that is responsible for monitoring e-commerce within the realm of the interdepartmental market control unit. Its activities include investigating information and complaints relating to the online illicit trade of goods, in collaboration with all available enforcement agencies. In cases of established online infringement, the directorate may instruct the Greek Telecommunications and Post Commission to deactivate the relevant websites. It may also involve the Department of Electronic and Cyber Crime of the Greek Police for further investigation.

In cases of online sale of counterfeit goods, the above criminal and civil measures apply, depending on the circumstances of the case.

### **PREVENTIVE MEASURES/STRATEGIES**

As a first line of defence, rights holders should register and update their IP rights in Greece. Registration of IP rights with Customs and maintaining customs intervention decisions is also important.

The appointment of a local contact who will also devise a tailor-made anti-counterfeiting overall strategy is also recommended since this will facilitate communication with the authorities and expedite procedures.

Rights holders must regularly monitor the unauthorised use of their IP rights, both offline and online. Structured internet searches and frequent market investigations may provide them with useful insight into the Greek market. A well-planned investigation strategy in which targets of interest have been identified (offline and/or online) and test purchases have been made may in some cases bear fruits if combined with appropriate enforcement measures.

Rights holders should cooperate with and assist the enforcement agencies in their fight against counterfeiting. Training initiatives are important in this respect since authorities are often unfamiliar with certain IP rights (eg, plant variety rights) and the characteristics of genuine and fake goods, their provenance and trade routes.

The use of technologies such as anti-counterfeit packaging and track-and-trace systems can also discourage counterfeiters.

Further, educating consumers and raising awareness about the concept of IP and its value, the significance of IP protection, the damage caused by related infringements and the contribution of IP and brands to economies and society may also play a key role in the prevention of counterfeiting.

Rights holders should be proactive, vigilant and determined and must use all available remedies against counterfeiting. In practice, enforcement agencies are keener on cooperating with active right holders, who will take action even for a single piece of counterfeit product, since continued seizures and market actions build stronger relationships with enforcement bodies and deliver results in terms of quantities. In addition, counterfeiting activity is most often the result of calculated risks to increase financial gain, meaning that the certainty and severity of consequences are significant in the context of this rational calculation. As a result, counterfeiting can be deterred more readily than other types of criminal or infringing behaviour, and counterfeiters may have second thoughts when they know that they will be confronted by a right holder with zero tolerance.



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# India: Bolstered anti-counterfeiting regime champions stricter market regulation and enhanced consumer awareness

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## Summary

### INTRODUCTION

## INTRODUCTION

Trade in counterfeit products has represented a menace to commerce and growth since time immemorial. Countries globally have been trying to defend against its proliferation and legislating to plug gaps and loopholes to meet the ultimate goal of achieving zero counterfeits, albeit with little success. Due to counterfeiting's illegal nature, it is inherently difficult to calculate exact figures for counterfeit goods. However, the available estimates suggest that the international counterfeit market was worth between US\$400 billion and US\$600 billion in the year 2018, making it larger than the 2018 gross domestic product of over 150 countries, and around 2% of all global trade. Further, employment losses globally due to counterfeits are estimated at between 4.2 to 5.4 million jobs in 2022. India alone has faced losses of over US\$7 billion in the year 2019-2020 and it has lost over 3 million jobs due to the precipitative effects of the counterfeits industry.

## LEGAL FRAMEWORK IN INDIA

India recognises the perils of counterfeiting and has a considerable reputation for formulating and implementing sound legislative frameworks to combat it. India, as a member of the agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) is primarily bound by TRIPS Article 61, which mandates member nations to provide for criminal proceedings and sanctions in cases of trademark infringement and copyright piracy.

There are important pieces of legislation in India that, directly or indirectly, deal with counterfeiting, and there are civil as well as criminal remedies that are discussed below.

## BORDER MEASURES

To implement stringent border measures, as envisaged by the TRIPS Agreement, India's central government has notified the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007, defining the role of the Customs Authorities in preventing counterfeiting.

A major portion of counterfeit goods are manufactured outside India and imported. Customs, the primary line of defence against counterfeits at national borders, have been conferred powers to act against the movement of suspected counterfeit products. Importing of infringing goods is prohibited under the Customs Act, 1962 (the Customs Act), read with the Intellectual Property Rights (Imported Goods) Enforcement Rules 2007. Section 11 of the Customs Act aims to enforce IP rights and enables prohibition of certain goods to prevent patents, trademark or copyright infringement. Customs do not currently consider parallel-imported goods or goods procured in the grey market as prohibited goods, unless they have been smuggled into or have been imported outside of their original packaging.

## PROTECTION UNDER INDIAN CUSTOMS ACT, 1962

Under Articles 51 to 60 of the TRIPS Agreement, WTO member countries must enact laws to fulfil obligations relating to border measures by incorporating provisions such as suspension of release of goods, notice of suspension, security or equivalent release, right of inspection and information, etc, to enforce IP rights at the border.

Section 11 of the Customs Act enables Customs to prohibit either absolutely or subject to conditions specified in the notification, the import or export of goods of any specified description.

The Customs Act provides for seizure of infringing goods, if there are reasons to believe that the goods are counterfeit. In addition, it also allows trademark, design and copyright owners to register their rights with Customs for the seizure of imported counterfeit goods. Pursuant to registration of the trademark with them, Customs will notify the rights holder of any counterfeit imported goods, which will be destroyed in front of the rights holder if determined to be fake. In some cases, even if the rights holder is not registered with Customs, rights holders will be notified. Counterfeiting and piracy are offences in India, and law enforcement agencies are conferred search and seizure powers.

The detailed procedure to be followed by the right holders or their authorised representatives once counterfeit goods have been seized by Customs either suo moto or based on any IP right registered with them has been stipulated in the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 issued vide notification No. 47/2007-Customs (NT), 8 May 2007.

These rules, inter alia, provide for: (i) the filing of a notice by the right holder; (ii) registration of the notice by Customs; (iii) time limit for right holders to join proceedings; (iv) single point for registration of the notice; (v) adequate protection to the rightful importer; (vi) adequate protection to Customs for bona fide acts; (vii) suo moto action by Customs in specified circumstances; (viii) disposal of the confiscated goods; and (ix) no action against goods of non-commercial nature contained in personal baggage or sent in small consignments intended for personal use of the importer.

However, since Customs is enforcing laws while protecting intellectual property rights, right holder participation is required in the Customs proceedings. If the right holder abstains, Customs have no obligation to continue with the detention and the goods shall be released.

### **CRIMINAL PROSECUTION**

The Trade Marks Act, 1999 does not use the term “counterfeiting” in its provisions, instead the phrases “falsifying” and “falsely applying trademarks” are mentioned.

Sections 102 to 105 of the Trademarks Act, 1999 provide criminal remedies for selling counterfeit products. Any person who sells, exhibits or hires the goods for sale that have false trademark, is liable. The burden of proving the assent of the proprietor of the trademark in a situation of falsifying and falsely applying trademarks lies on the accused. The infringer shall be punishable with imprisonment of between six months and three years. The fine shall be between 50,000 rupees and 200,000 rupees. Repeat offenders shall face enhanced punishment for second and subsequent offences with imprisonment from one to three years and a fine between 100,000 and 200,000 rupees.

Individuals accused of counterfeiting shall be given the benefit of the doubt if they prove that after taking all reasonable precautions at the time of committing an offence, they had no reason to suspect the trademark wasn't genuine. They should, however, be willing to give information about the person from whom they obtained the falsely trademarked goods or be able to prove that they acted innocently.

Section 64 of the Copyright Act, 1957 provides for seizure and confiscation of infringing copies of the work, wherever found. Section 63 of the Copyright Act provides for imprisonment up to three years and a fine for infringement activities.

The Indian Penal Code 1860 (IPC) attempts to curb counterfeits (including materials used for counterfeiting) by way of punishments for cheating. The IPC can be invoked during criminal prosecutions, in addition to the specific statute being invoked for the said criminal action.

Section 486 of the IPC deals with selling goods marked with a counterfeit property mark. Selling of counterfeit goods is punished with imprisonment for a term up to one year or a fine, or both.

As per the Standards of Weights and Measures (Enforcement) Act, 1985, whoever possesses, sells or offers or exposes to sell counterfeit seal or stamp, shall be punished with imprisonment for a term between six months and two years, and, for the second or subsequent offence, imprisonment shall extend up to five years.

The Drugs and Cosmetics Act, 1940 prohibits import, export or sale of adulterated, spurious or misbranded drugs. The drug inspector may confiscate the stock, packages, labels or any machinery or implements utilised to manufacture counterfeit medicine. The Act stipulates procedures to counter adulterated, spurious or misbranded drugs and their import to India. The Act defines a spurious drug as a drug that is manufactured under a name that belongs to another drug or is an imitation or substitute of another drug, misrepresenting the source of the product. Offering to sell adulterated drugs is punishable with imprisonment for a term of between seven and 10 years, but which may in circumstances extend to life imprisonment, and also incurs a fine no less than 1 million rupees or three times the value of the drugs confiscated.

It was held by the Supreme Court in *Drugs Inspector & Anr v M/s Fizikem Laboratories Pvt Ltd & Anr* that Viagra is an allopathic drug and by no stretch of imagination can it be said to be an Ayurvedic drug. The very fact of selling this drug as one of the ingredients in the Ozomen capsule and not displaying the name in the prescribed manner in the drugs, constituted an offence under the Drugs and Cosmetics Act, 1940. It was further held that the inspector appointed by the central or state government by notification in the Official Gazette may inspect any premises wherein any drug or cosmetic is being manufactured. Inspectors may test the drugs or cosmetics and search the premises, and are granted other such powers which may be necessary for enforcement of the provisions of the Act.

The Copyright Act, Trade Marks Act, and Drugs and Cosmetics Act, while providing for criminal liability, do not possess deterring sanctions as part of the punitive measures. Though this legislation states imprisonment as a penalty, the nature of the offence is not cognisable and bailable.

## **CIVIL ENFORCEMENT**

The Commercial courts under the Commercial Courts Act, 2015 were set up at the district level and at High Courts with original jurisdiction for dealing with cases of Intellectual Property infringement. The Code of Civil Procedure, 1908 governs civil remedies for infringement of intellectual property rights. The courts have been granting interim injunctions to minimise loss suffered by honest intellectual property rights holders. In cases of anti-counterfeiting, summary judgments are invoked as they help in reducing the time frame of a suit and provide proper remedies to the aggrieved parties.

The Copyright Act, 1957 has laid strict provisions against copyright infringement. Section 55 of the Copyright Act, 2000 provides various civil remedies such as injunctions, damages and account of profits.

## **INTERIM INJUNCTION**

The court in an ex parte hearing orders the infringer to stop dealing with counterfeit products immediately. In such cases, the court must be convinced that a delay in granting an injunction might lead to an irreparable loss of reputation and profit to the rightful owner.

## **PERMANENT INJUNCTION**

The court in most cases directs infringers to destroy all subsisting stock of infringing products by granting a permanent injunction.

## **APPOINTMENT OF LOCAL COMMISSIONER**

The court under this order empowers the local commissioner to enter an unnamed defendant's premises to seize infringing material when there is an element of suspicion of the presence of such material in and around those premises.

## **DAMAGES**

In one of the first cases, Time Incorporated v Lokesh Srivastava and Anr, the court granted the plaintiff punitive damages of 500,000 rupees, after it was established that the defendant was guilty of passing off its Hindi news magazine as the famous Time magazine by adopting a similar name, a similar front page with a distinctive red border, and an identical typescript and font.

In Cartier International AG v Gaurav Bhatia, the Delhi High Court granted damages totalling 10 million rupees, for the infringement of trademarks and the selling of counterfeit luxury brands online, which remains the highest punitive damages awarded by the court in a case of trademark infringement in India.

However, India recognises the doctrine of international exhaustion, which allows parallel import of its products in India. The Division Bench in Kapil Wadhwa v Samsung Electronics stated that denial of parallel imports will restrict consumers' access to a wider range of products at better prices and further clarified that trademark laws are not intended to regulate the sale and purchase of goods but to protect trademark rights. The Court permitted parallel imports to India, on the condition that the appellants would provide certain disclaimers in their shops.

Section 30(3)(b) of the Trade Marks Act, 1999 provides that where the goods bearing a registered trademark are lawfully acquired, further sale or other dealing in such goods by purchaser or by a person claiming to represent the purchaser is not considered an infringement. It is not unlawful to offer for sale genuine goods in the market under the registered trademark, even if it is without the consent of the lawful proprietor of the trademark. However, such goods should not have been materially altered or impaired after they were put on the market.

## **COUNTERFEITING IN THE VIRTUAL WORLD**

The Information Technology Act, 2000 (the IT Act) seeks to curb illegal infringing activities conducted through the use of computers and other technology. The IT Act has stringent provisions and provides for both civil and criminal remedies. Online counterfeiting by way of illegal domain registrations can be tackled through arbitrations proceeding under '.in' Domain Name Dispute Resolution Policy (INDRP) or the Uniform Domain Name Dispute

Resolution Policy (UDRP), by establishing bad faith on the part of the registrant. In cases where the registered domain name comprises an identical or confusingly similar trademark, the aggrieved party can also seek an interim injunction or a permanent removal or transfer of the domain name through a civil lawsuit by adding the domain registrar as a co-defendant.

### **INFORMATION TECHNOLOGY ACT, 2000 AND INFORMATION TECHNOLOGY (INTERMEDIARIES GUIDELINES) RULES, 2011**

The IT Act is enforceable if illegal activities take place through a computer system and supporting technology. Sections 79 and 87(2) of the IT Act lay down rules, liabilities and exemptions of intermediaries offering third-party products for online sale. Rule 3 of the Information Technology (Intermediaries guidelines) Rules, 2011 (the Intermediaries Rules) specifically deals with due diligence to be observed by the intermediary to curb display and sale of counterfeit products through e-commerce. As per the Intermediary Rules, the intermediary shall publish the rules and regulations, privacy policy and user agreement for access and usage of the intermediary's computer resource by any person. The information should be such that any buyer visiting the site should be able to identify the source of the products and/or services; transparency is paramount for e-commerce platforms. Pursuant to the 2022 amendments to the Intermediary Rules, intermediaries are expected to respect the rights guaranteed to users under the Indian Constitution, including a reasonable expectation of due diligence, privacy and transparency.

In a landmark judgment, *Kent RO Systems Ltd v Amit Kotak*, the Supreme Court laid down guidelines on how intermediary companies shall take maximum care in drafting their privacy policy and terms of use in compliance with the IT Act and Intermediary Rules. Intermediaries must also immediately take down infringing, counterfeit, and fake products, once they are given notice by the right holder.

In *Christian Louboutin SAS v Nakul Bajaj & Ors*, the Delhi High Court observed that e-commerce platforms that actively conspire, abet or aid, or induce the commission of unlawful acts on their website cannot escape liability. The protection given to intermediaries is not absolute, and if they are involved in the process of initiating the transmission, selecting the receiver or modifying the information contained in the transmission, they may lose any exemption given under the law.

### **PROTECTION UNDER THE CONSUMER PROTECTION (E-COMMERCE) RULES, 2020**

The Consumer Protection (E-commerce) Rules 2020 (E-Commerce Rules) attempt to combine the essence of the Consumer Protection Act, 2019 to ensure fair play in technology and data driven e-commerce environments.

The obligations of e-commerce entities are listed in Rule 5(2) and Rule 5(3)(a) of the E-Commerce Rules, which mandates each e-commerce entity must exercise due care. The Rules require that each seller gives an assurance that the descriptions, images and other content pertaining to the goods or services hosted on the e-commerce platforms are accurate and genuine. Every e-commerce platform must give comprehensive information about the vendor in a way that is understandable to all users. In the event of counterfeiting using e-commerce platforms, the harmed party may seek compensation from the e-commerce platforms under the rules.

### **PREVENTIVE MEASURES**

#### **CONSUMER AWARENESS**

Consumer awareness must be at the forefront in the fight against counterfeiting. Consumers who purchase counterfeit goods are often unaware of the health and safety concerns they are exposing themselves to, let alone the deeper issues including labour exploitation, economic consequences and environmental issues that are fuelled by the counterfeits industry. Making consumers aware of the risks would go a long way to tackling counterfeiting. Counterfeit products sold online and offline can be curbed by training buyers to identify tell-tale signs and take precautions, such as checking the identity of the seller, examining the quality of goods, checking for reviews from other customers, examining the overall look and feel of the website, reading through the terms and conditions and returns policies, looking out for unusually low prices, and using secured means of payment.

### **ACTIVE ENFORCEMENT**

In curbing counterfeiters it is important that the stakeholders are kept abreast of available preventive and remedial measures. Businesses of all scales must be encouraged to adopt an effective counterfeit monitoring strategy. Counterfeiters flourish best when left unexposed, and no legal action is taken. It is therefore important that the right holders take prompt and persistent action against counterfeiters to send the right message and as a deterrent to targeting the same business repeatedly. Small businesses may be incentivised to take effective anti-counterfeiting measures. Traditional anti-counterfeiting technologies like holograms and QR codes are proving to be easily imitated by counterfeiters and are being replaced by emerging block-chain based technologies. Few of the available options include RFID (radio frequency identification) tags which involves embedding small chips into a product which can be scanned to verify authenticity of a product. The latest technologies also deploy cryptography and digital signatures to authenticate the product by verifying the signature and encryption.

### **TECHNOLOGICAL ASSISTANCE**

Thanks to technological advancements, today there are a number of digitally sound, cloud-based anti-counterfeiting solutions available that help to track, trace and verify a product's authenticity from the beginning to the end of the supply chain. IP holders can be encouraged to inculcate technologies based on artificial intelligence and blockchain in their IP strategy to persistently detect and curb counterfeit of their products. The new technologies provide effective solutions to the counterfeiting problems plaguing the markets and most of these options are workable using a simple smart phone. Depending upon the specific requirements of the business and nature of products, the businesses can adopt the most cost-effective method and implement appropriate packaging and product features to assist in product authentication as well as tracking.

### **MARKET SURVEILLANCE**

IP holders may engage the services of specialist firms to conduct regular market surveillance along the supply chain as it helps to detect the place from where the counterfeits originate. They may engage such firms to frequently monitor the key online as well as offline marketplaces that are prime markets for counterfeit products.

### **STRONG CONTRACTS**

Nurturing strong contractual relationships with stakeholders across the supply chain including distributors, franchisees and licensees help in combating counterfeiting problems.

IP holders can lay down stringent contractual terms preventing third parties from registering or using their trademarks, copyrights or other intellectual property.



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# Israel: Civil enforcement and criminal prosecution fuel counterfeiting crackdown

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## Summary

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## LEGAL FRAMEWORK

The following laws apply to anti-counterfeiting in Israel:

- the Trademarks Ordinance (5732-1972);
- the Trademarks Regulations 1940;
- the Trademarks Order (Protection of Industrial Property) 1934;
- the Merchandise Marks Ordinance 1929, as amended;
- the Merchandise Marks Regulations 1935;
- the Appellations of Origin (Geographical Indications) (Protection) Law (5725-1965);
- the Appellations of Origin (Procedure of Registration of Appellations of Origin Originating in a Foreign Country) Regulations (5727-1967);
- the Appellations of Origin (Procedure before Appeal Committee) Regulations (5727-1966);
- the Symbols Protection Act (5735-1974);
- the Unjust Enrichment Law (5739-1979);
- the Commercial Torts Law (5759-1999); and
- the Consumer Protection Law (5741-1981).

Israel is a party to the following international treaties:

- the Paris Convention for the Protection of Industrial Property (1883), Stockholm (1967);
- the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs);
- the Nice Agreement on the International Classification of Goods and Services (1957), Stockholm (1967);
- the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration (1958), Stockholm (1973); and
- the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks.

## BORDER MEASURES

According to the Customs Ordinance, Customs is entitled to detain imported goods suspected of infringing trademarks.

It is possible, although not mandatory, for rights holders to file a complaint while recording their registered trademarks with Customs. It is highly recommended that the complaint be filed if the rights holder is aware of specific shipments of infringing goods bound for Israel or if it wishes to bring certain trademarks to the attention of Customs.

Customs is authorised to seize suspected goods (either as a result of a complaint submitted by the rights holder or as a result of a random examination of shipments arriving in Israel). Once the goods are seized, Customs must send appropriate notice to the rights holder and the importer. If Customs seizes suspected goods and no formal complaint is filed, Customs

checks the Trademark Office records and sends a notice to the address of service indicated in the Trademark Registry. It is also possible, and highly recommended, to record an address of service for customs seizures in the Trademark Registry, specifically in cases where the trademark agent is not the firm that handles enforcement.

Sending a notice initiates one of two possible procedures. In the past the Customs used to initiate mostly Short Procedures (also called Expedited Procedures), under which Customs agrees to destroy the goods based on a written opinion submitted by the rights holder in which the rights holder indicates the reasoning behind its belief that the goods are infringing and undertakes to compensate the importer for any financial damage that may be inflicted as a result of the seizure and to join Customs in any lawsuit that may be initiated by the importer if the importer believes that the seizure is unjust. Relevant circumstances include:

- a small shipment;
- a shipment including several brand-name goods;
- a low-value shipment;
- a shipment suspected of violating the legal import rules; or
- goods arriving in a parcel through the mail.

In the past year the Customs started initiating more Standard Procedure cases which afford Customs better protection against possible lawsuits brought by the Importers as part of the Short Procedure seizures. According to the Standard Procedure (in accordance with the TRIPs Agreement), the rights holder must file a lawsuit; however, it is possible to settle the matter beforehand.

Customs' legal adviser must authorise the settlement agreement between the rights holder and the importer. To prevent the release of the goods and as an initial step, the rights holder must submit a bank guarantee to Customs. One objective of filing a bank guarantee is to compensate the importer for any financial damage that may be inflicted as a result of the seizure or the filing of a lawsuit should the seizure of the goods prove to be unjustified by a court.

The decision on whether to initiate either procedure is subject to consideration at the discretion of the customs authority. While it is possible to escalate a Short Procedure to a Standard Procedure (by filing a bank guarantee), it is very rare for customs to de-escalate a Standard Procedure to a Short Procedure.

Regardless of whether a Standard or a Short Procedure is initiated, upon receiving the customs notification, the rights holder has three working days (with a possible further three-working-day extension) to respond. It may either submit the required bank guarantee (according to the Standard Procedure requirements) or relevant documents to complete the Short Procedure. Only after the bank guarantee has been submitted will Customs advise the rights holder of the importer's details and allow it to obtain a sample of the seized goods. As such, if the rights holder decides to proceed with the Short Procedure, it will not receive any details regarding the shipment.

Upon filing the bank guarantee, the rights holder can either settle the matter amicably with the importer or file a lawsuit against it within 10 working days of the notice date (an extension of 10 working days is possible).

Should the rights holder choose to take no further action, the goods will be released. In practice, almost all cases end with a settlement.

### **CRIMINAL PROSECUTION**

Trademark infringement may constitute a criminal offence. In the past, the authorities did not intervene in criminal prosecution with regard to trademarks; such procedures were mainly initiated by trademark owners. In 2003 the Israeli police established specialised IP units, which may act based on information obtained as a result of their own investigations or a complaint from a rights holder. In the past several years, the IP units were downsized, and their action is now limited; however, the activity of the local police stations that do not specialise in intellectual property has increased.

Conducting a police raid is a relatively inexpensive procedure. It can significantly deter potential counterfeiters since criminal proceedings may be initiated by the state against the infringers. That said, the police require that a representative of the rights holder who can identify whether the goods are counterfeit or genuine be present during the raid.

After participating in the raid, the police require that the rights holder submit an expert opinion confirming that the goods are fake. On submitting the expert opinion, the police will continue the investigation and, if needed, will file criminal charges against the suspect. At this stage, nothing else is needed from the rights holder. The expert might be summoned to appear before the court if the suspect challenges the opinion; however, this rarely happens, and it is possible to replace the expert with the local distributor.

In previous years, allegedly counterfeit goods that were seized in cooperation with the police were stored at the trademark owners' warehouses until the end of the criminal proceedings. In the past, this matter has been discussed in a number of court decisions that have reviewed the practice. The courts referred to the question of the trademark owners' status in the criminal proceedings. The courts doubted the legality of the practice in which the trademark owners (the complainant in the criminal proceedings) were storing the goods in dispute in their warehouses.

In view of this criticism, changes in police raid practices have been made; however, these changes are presently considered a pilot and include raids conducted by the Tel Aviv district only.

In the pilot, the allegedly counterfeit goods seized are stored by the police, and the trademark owner only receives samples to provide an expert opinion. Whether to file an indictment is decided almost immediately after the seizure is conducted.

### **STATE PROSECUTION OF CRIMINAL OFFENCES**

Criminal proceedings are initiated only with respect to registered trademark rights. Unregistered trademark rights may be protected only within the framework of civil proceedings.

Plaintiffs must prove that the defendant used the registered trademark without the rights holder's authorisation or approval in a manner that may deceive a third party.

If found guilty, defendants face imprisonment for up to three years, a fine or the forfeiture and destruction of the goods.

### **PRIVATE CRIMINAL COMPLAINT**

The right to file a private criminal complaint is independent of the proceedings initiated by the state prosecution; it is permissible in cases where the state prosecution has chosen not to investigate or prosecute a specific case. In such a case, the burden of proof falls on the complainant. The complaint will be filed with the magistrates' court.

The complaint may be turned over to the state prosecution in some cases. The same proceedings, remedies and jurisdictions apply to private complaints as to state criminal prosecutions.

A verdict in a criminal complaint may be used as prima facie evidence in a civil case where the defendant is found guilty, and the verdict is final.

## **CIVIL ENFORCEMENT**

### **TRADEMARK LITIGATION IN CIVIL COURTS**

Trademark litigation in Israel generally follows the basic procedures of general Israeli litigation. On average, a case involving trademark infringement takes anywhere between one and three years. This does not include appeals, which may take an additional one to two years. Claims relating to trademarks where a permanent injunction is requested are generally filed with the district courts. That said, if the monetary value of the disputed goods is relatively low and there is no request for interlocutory relief, the claim should be filed with a magistrates' court.

Appeals against decisions of magistrates' courts are filed with the district courts. District court decisions may be appealed to the Supreme Court.

### **REMEDIES**

A preliminary injunction is the most common remedy granted to the owner of a registered IP right. A preliminary injunction may be issued if the rights holder can provide apparent proof of cause, convince the court of the urgency of the matter at hand and, in most cases, provide a bank guarantee. The court usually holds a comprehensive hearing to consider the case at hand. Similarly, permanent injunctions may be granted within the framework of the lawsuit.

An Anton Piller order is a seizure order (particularly available in counterfeit matters) under which the court empowers a party (usually the plaintiff) to enter the premises of a third party to search for and seize evidence of infringing activity.

Monetary damages awards are relatively small compared to those available in other member states of the Organisation for Economic Cooperation and Development. An award of damages generally requires proof of infringement and proof of damages, or at least a reasonable estimate. In assessing the amount of monetary damages, a court may require the plaintiff to provide actual damages; however, the final award of damages will not necessarily be bound by the proof of actual damages provided by the plaintiff.

The courts routinely award damages without having to prove actual damages, based on the Commercial Torts Law (5759-1999), mainly with respect to the passing-off tort. According to this law, compensation may be awarded without having to prove actual damages; however, this type of compensation is limited to NIS100,000 (approximately US\$30,000).

The court may order a defendant to provide the plaintiff with a complete audit of its accounts with respect to its infringing activities.

The courts generally award expenses to the prevailing party in litigation; however, costs are subject to caps set by regulation and rarely amount to more than 30% of the actual legal fees expended.

In cases of trademark infringement, a trademark owner may demand that the infringer transfer the infringing goods to the owner or destroy all the infringing products.

### **PARALLEL IMPORTS**

Parallel imports do not per se constitute trademark infringement as the courts and the government view them as healthy competition that results in reduced prices for the consumer. In the Schestowitz-Colgate matter, the Israeli Competition Authority instructed Schestowitz (one of the biggest official distributors in Israel) to refrain from acts that it thought were aimed at trying to prevent parallel imports of Colgate toothpaste. The Israeli Competition Authority stated that Schestowitz reports to Colgate about parallel imports while including photos of parallel goods to try to diminish parallel imports and, as such, this conduct is not permitted.

In the current atmosphere, it is very difficult to prevent parallel imports in Israel, while in the past it was possible to take certain actions to prevent parallel imports, unless there is clear tampering with one's products, it would be very difficult to take this route.

In *Jafora Tabori Ltd v Ben Shlush Import and Export Ltd*, Jafora Tabori, a prominent local soft drinks manufacturing and marketing company, appealed to the Supreme Court after the Central Region District Court permitted the respondent, Ben Shlush Import and Export Ltd, to continue to import into Israel Ukrainian-made soft drinks bearing the SCHWEPPES trademark, as these were sold in Ukraine by the Ukrainian SCHWEPPES trademark owner. The first instance court based its ruling on the "exhaustion of trademark rights doctrine".

The Supreme Court overturned the ruling and held that an Israeli trademark owned by Jafora grants its owner an exclusive right to use the mark in Israel and that foreign registrations held by other entities do not grant use rights in Israel. Therefore, since the Israeli owner of the SCHWEPPES trademark is not affiliated or otherwise associated Jafora's rights were infringed.

This is a very unique case as the trademark owner in Israel is different from the trademark owner abroad and so this ruling does not apply to cases where the owner of the trademarks in the country of origin for the imported goods and in Israel is the same.

On a final petition filed by Ben Shlush, Chief Justice Hayut acknowledged possible negative effects that the ruling might have on parallel imports. That said, the case involves a unique commercial situation. Chief Justice Hayut indicated that it is understood that this ruling does not block the possibility of examining future cases in which there will be a concrete concern re anti-competitive practices that originate in transfers of trademarks between different legal entities. This statement makes it obvious that international trademark owners are not likely to benefit from transferring TM rights to their Israeli subsidiaries.

### **DISPUTE RESOLUTION**

Online issues may be governed by the Israeli courts or the Israel Internet Association (IAA), which operates as the registry for domain names under the country code top-level domain '.il'.

The IAA's dispute resolution process is designed to resolve disputes regarding the allocation of '.il' domain names. It is not intended to create or replace judicial precedence or jurisprudence. Agreeing to dispute resolution under those procedures does not constitute an arbitration agreement, as defined by the Arbitration Law.

Under the rules for the allocation of '.il' domain names, the dispute resolution process will review third-party challenges to the existing allocation of domain names by the IAA on a case-by-case basis. Disputes regarding the allocation of a domain name by a holder may be brought by a third party on the following grounds:

- the domain name is identical or confusingly similar to the complainant's trademark, trade name, registered company name or legal entity registration;
- the complainant has rights in the name;
- the holder has no rights in the name; and
- the application for allocation of the domain name was made or the domain name was used in bad faith.

## COURTS

The courts have not yet considered what constitutes trademark infringement on the Internet. One noteworthy case is *ML v Crazy Line*, in which the Tel Aviv District Court dismissed trademark infringement and unfair competition claims against a defendant that used ML's marks to trigger Google AdWords. The court gave considerable weight to the fact that the disputed trademarks were not used in the sponsored links themselves; the trademark use took place behind the scenes. The court held that such use should not constitute infringement.

That said, magistrates' courts have declined attempts to dismiss lawsuits in limine (ie, before the start of a trial) based on ML, indicating that such claims may be heard based on unjust enrichment.

In *Proportzia Ltd v Dov Klein*, the Tel Aviv District Court reaffirmed ML, ruling that use of a trademark in the scope of Google AdWords does not constitute trademark infringement, unjust enrichment or breach of privacy, dignity and liberty.

In *re Tommy Hilfiger*, the Supreme Court permitted the third-party use of a brand owner's trademark in the domain name '[tommy4less.co.il](http://tommy4less.co.il)'. It held that it was clear to the general public, in light of the specific wording of the domain name, that the website was not operated on behalf of or sponsored by the rights holder; therefore, courts may allow the use of a brand owner's trademark in a third-party domain name, provided that the full wording makes it clear to the general public that the website is not connected to the rights holder.

In *Zohar v Facebook Inc*, the Tel Aviv District Court found the operator of Facebook groups that offered counterfeit goods for sale via a hidden link scheme as liable for trademark infringement. The plaintiff operated several Facebook groups that offered allegedly brand name goods through an intricate system of codes and processes in which the branded goods were camouflaged with pictures of seemingly unrelated products and unrelated descriptions. The plaintiff also tried to conceal her activity from algorithmic anti-counterfeiting measures by inserting asterisks into the brand names and distorting them. Based on these, the court was unconvinced by the plaintiff's claims that she did not know the goods were counterfeited and held that her actions constituted trademark infringement.

## PREVENTIVE MEASURES/STRATEGIES

Rights holders should consider the following measures to detect possible infringements:

- review the Trademark Gazette published by the Israeli Patent and Trademark Office;
- conduct regular online investigations;
- involve an investigation agency; and
- file customs complaints, where appropriate.

Rights owners should implement technical devices or other measures in their products to ensure the expedited detection of counterfeits and locations from where parallel imports have been imported.

Stringent manufacturing and distribution agreements, including jurisdictional limitations, may prevent the unauthorised distribution of goods created by authorised manufacturers working for rights owners and may also help to prevent parallel imports.

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# Italy: Stronger enforcement dovetails with augmented border control and harsher punishments

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## Summary

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**BORDER MEASURES**

**CRIMINAL PROSECUTION**

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## LEGAL FRAMEWORK

Contrary to common belief, the Italian legislative instruments against IP infringement are quite effective.

In 2003 specialised IP divisions were set up in 12 existing courts, later increased to 21. Since 2014 cases involving foreign companies have been concentrated in nine of these courts (Milan, Turin, Venice, Genoa, Rome, Naples, Bari, Cagliari and Catania). These divisions have exclusive competence over civil actions relating to trademarks, patents, designs, copyright and unfair competition. Further measures to improve the efficiency and training of specialised divisions judges and introducing specialisation also for criminal judges are currently under discussion.

The 2005 Code of Industrial Property, extensively amended in 2010 and again in 2023, brought together the principal laws relating to IP matters – expressly including unregistered trademarks, trade secrets and appellations of origin as IP rights, with two exceptions:

- copyright, which is covered by the separate Copyright Law; and
- the main criminal provisions, which are contained in the Criminal Code, as amended and improved in 2009.

As an EU member state, Italy implemented all the relevant EU directives and has implemented all the main international agreements. On 29 December 2022 a Decree came into force that established an administrative procedure for the declaration of invalidity and forfeiture of trademarks, as an alternative to the judicial one, as provided by the Trademark Directive.

Italy is also a party to the Agreement on the Unified Patent Court and joined the enhanced cooperation on the unitary patent system. Milan hosts the Italian local division of the court and the third seat of the central division, which will become operational in June 2024.

In 2023, a new law was passed allowing both an Italian patent and a European patent on the same invention to be in force at the same time.

## BORDER MEASURES

Border measures are regulated by the relevant EU regulations. Implementation is entrusted to the Customs Agency, which has become a highly efficient body. The government has also reached agreements to coordinate operations with a number of countries from which counterfeit goods originate, in particular China.

The activities of the Customs Agency are supported by multimedia databases, which gather together information on how to distinguish fake goods at the borders. The databases are updated directly by rights holders.

Restrictive provisions on the labelling and Italian origin of products that are suspected of infringing EU provisions shall be abolished by a government draft bill soon to be approved by the parliament, that will instead establish a state seal to be used optionally by manufacturers on goods made in Italy under the EU Customs Code, to make them more easily recognisable from Italian sounding goods on international markets.

## CRIMINAL PROSECUTION

The efficacy of criminal prosecution has increased with the implementation of the Anti-counterfeiting Information System, a computerised platform that also allows rights holders to send information on their infringed products for ready reference by the control agencies in the field.

Depending on various criteria, an infringement can be either a criminal or an administrative offence. Criminal offences are set forth by Articles 473, 474 and 517ter of the Criminal Code, which were strengthened by Law 99/2009, with the exception of “petty offences” (Legislative Decree 28/2015). They provide for:

- a prison term of between six months and three years, plus a fine of between €2,500 and €25,000, for the infringement of registered marks;
- a prison term of between one and four years, plus a fine of €3,500 to €35,000, for the infringement of patents, designs or models; and
- a prison term of up to two years, plus a fine of up to €20,000, for the import, possession for business purposes, sale or circulation of goods bearing counterfeit or altered marks or distinctive signs, or the violation of other IP rights.

Infringement involving large quantities or committed in a continuous and organised fashion attracts a sentence of between two and six years (Article 474ter). A penalty of up to two years plus a fine of up to €20,000 was also introduced for the infringement of denominations of origin of agricultural foodstuffs (Article 517quater).

Article 517 of the Criminal Code applies to unregistered marks. It provides that a party that sells or otherwise puts into circulation products bearing marks which may mislead the buyer as to the origin, provenance or quality of those products will be subject to a prison term of up to two years or a fine of up to €20,000.

Under Decree-Law 135/2009, the penalties laid down by Article 517, increased by one-third, apply to the use of “a sales indication which presents the product as entirely produced in Italy” in relation to goods that were not actually “completely produced in Italy” – such products being understood as those whose “design, planning, production and packaging were exclusively carried out in Italy”. Similarly, an administrative penalty of between €10,000 and €250,000 was introduced for the “use of the trademark by the holder or licensee in such a way as to lead the consumer to believe that the product or good is of Italian origin”, unless the foreign origin is indicated.

The Supreme Criminal Court ruled that trademark infringement under Articles 473 and 474 of the Criminal Code also includes post-sale confusion (Case 12926, 17 March 2004). The court also ruled that in the case of products bearing infringing marks, the more severe penalty provided under Article 648 of the Criminal Code must be applied – even if the defendant was only handling the goods (Supreme Criminal Court, Full Bench, Case 23427, 7 June 2001).

The introduction of administrative measures has further strengthened trademark protection (see, in particular, Article 146 of the Code of Industrial Property, as amended in 2010).

Trade secrets are also subject to criminal protection under Article 623 of the Criminal Code, which, following the 2018 reform, now expressly punishes the violation of all secrets protected by the Industrial Property Code and by the rules on unfair competition.

Police investigations, undercover operations and seizure measures are available, to be confirmed by a court and subject to re-examination. A government draft bill soon to be

approved by the parliament will allow the expeditious destruction of seized counterfeit goods also at the request of IP owners.

If criminal organisations are running the counterfeiting operation, the more severe penalties under Articles 416ff of the Criminal Code are also applicable.

### **CIVIL ENFORCEMENT**

The high level of efficiency of the civil courts is due in part to their keenness to:

- grant urgent measures (eg, injunctions, seizures and orders for the withdrawal of goods from the market); and
- order the judicial investigation of evidence (eg, description orders, normally granted ex parte).

Under Article 131 of the Code of Industrial Property, urgent measures may be granted in any case of imminent IP rights violation or risk of repeated violation, even if the violation has been going on for some time (see Court of Naples, 19 September 2009; and Court of Turin, 3 May 2012).

Urgent measures are typically examined and granted quickly – normally in a few days or weeks for trademarks and designs (such measures are often granted ex parte), and within months for patents (where a court expert is usually appointed). Injunctions are usually backed by a fine for each violation to be paid to the rights holder. Violation of an injunction is also subject to criminal penalties (a prison term of up to three years or a fine) under Article 388 of the Criminal Code.

Urgent measures, including protective measures, are granted by an individual judge appointed by the president of the specialised division. They may be subject to appeal before a panel of three judges, which does not include the first judge and decides within months.

Orders for withdrawal from the market may compel the infringer to buy back illicit products directly from stores (Court of Turin, 27 June 2012; Court of Milan, 7 September 2016).

Article 132 of the Code of Industrial Property, as amended in 2010, expressly states that preliminary injunctive relief (including a fine or an order for withdrawal from the market) become final, unless any of the parties starts proceedings on the merits, which, therefore, are necessary only to ask the court to order the infringer additionally to:

- pay compensation and surrender profits made from the infringement;
- pay the costs of publication of the ruling in newspapers or magazines; and
- hand over the infringing goods to the rights holder or arrange for their destruction at the infringer's expense.

The accounts of the alleged infringer are often seized facilitating the calculation of damages, which include either the infringer's profits or rights holder's lost profits, whichever is the greater. Compensation for any further damage, such as expenses incurred or reputation damage, may also be added to the amount. Reputation damage is often calculated as a fraction of the advertising expenses incurred by the rights holder or the cost of an advertising campaign to mitigate the negative impact of the infringement on the public. High damages are often awarded (eg, on 13 January 2013 the Court of Brescia awarded €2 million for trade secret violations; on 16 June 2015 the Court of Milan awarded €3.35 million for copyrighted

design infringement; on 14 June 2016 the same court awarded over €2 million for patent infringement; on 6 November 2017 the Court of Florence awarded more than €6 million for trademark infringement made by a subcontractor; on 3 December 2019 the Court of Appeal of Milan awarded €3.7 million for patent infringement; on 14 May 2020, the Court of Appeal of Milan awarded €1.5 million for disgorgement of a patent infringer's profits in a case where the patent owner was contractually prevented from selling the original patented equipment to the recipient of the copy equipment and therefore had not suffered any lost profits). Moreover the decision of the Court of Milan of 5 July 2022 established the liability of the parent company for damages caused, and for the restitution of profits made, by its subsidiaries.

Substantive IP protection is rigorous too. Well-known marks are protected against any use in trade of an identical or similar sign, even without confusion and against the use of a sign other than for the purposes of distinguishing goods or services, as it is now expressly written in the Italian law.

Key decisions in this area have come from:

- Court of Florence, 6 November 2017, which protected the well-known trademarks BULGARI and BVLGARI against a huge overproduction by a subcontractor;
- Court of Catania, 29 November 2016, which held that sale by an unauthorised dealer that does not meet the quality standards of a selective distribution system causes harm to the trademarks' reputation and amounts to unfair competition; and
- Court of Milan, 20 October 2009, which protected the colour red as the non-registered trademark of Ferrari against its use for products connected to Formula 1, including clothing.

In all the most recent cases, public perception was key to the ruling, in line with CJEU decisions.

In patent matters, preventive measures can also be obtained on the basis of patent applications. In the case of a European application, a translation of the claims must be filed with the Italian Patent and Trademark Office. The judge always appoints an expert to ascertain validity and infringement – even in urgency proceedings (as expressly laid down by Article 132 of the Code of Industrial Property, as amended in 2010), and at the appeal stage. The expert conclusions often form the basis of the ruling. However, it is not uncommon for judges to deviate from the expert opinion (see Court of Rome, 6 September 2010) or to appoint a new expert or panel of experts, especially during the appeal stage.

Concerning patent matters, Legislative Decree 131/2010 also clarified that:

- in case of patent invalidity actions, it is enough to summon the party indicated as the rights holder in the public register and not also the inventors who assigned the right; and
- the owner of a patent that is unsure about its infringement may ask the court to appoint an expert to obtain a quick technical assessment on validity and infringement, which can then be used in further legal action or to reach a settlement more quickly.

Law 214/2016 introduced a specific rule on contributory infringement, which is fully consistent with the one contained in the Unified Patent Court Agreement.

The Italian case law on supplementary protection certificate (SPC) is fully aligned with CJEU case law (Court of Milan, 25 July 2014 and Article 68 of the code, as amended in 2012), but Decree-Law 158/2012 (recently repealed by Law No. 2022/118, that, however, provided for the same rule) ruled out the reimbursement of generic drugs by the Italian National Health System until the relevant patent or SPC has expired, which seems contrary to EU Directive 83/2001/EC. However, this rule has been interpreted restrictively – it applies only when product claims on the specific active ingredient contained in the drug are in force (Administrative Court of Lazio, 26 June 2014).

Design protection through copyright law has been available since the implementation of the EU Design Directive (98/71/EC) and also applies to works created before the date of implementation of the directive (CJEU, 27 January 2011, C-168/09). Article 239 of the Code of Industrial Property, as amended in 2010, states that all copied products manufactured in Italy after 19 April 2006 (and those imported after 19 April 2001) are pursuable as counterfeit. In 2012 a deadline of 19 April 2014 for selling off stocks of infringing products was granted, but this was overruled by the Court of Milan (28 April 2011), as it was deemed contrary to the directive.

The Court of Milan ruled on this issue in two cases: one protecting Cassina's copyright on chairs designed by Le Corbusier (20 July 2012); the other protecting Flou's copyright on the 'Nathalie' bed designed by Magistretti (14 to 27 September 2011, 5 June 2012 and 16 June 2015).

Under Italian copyright law, only creative design works that also have artistic value qualify for copyright protection. However, this condition should not still apply, after the CJEU decision in Cofemel (C-683/17).

### **ANTI-COUNTERFEITING ONLINE**

The strategies for enforcing IP rights online include searching the Internet and adopting graduated responses according to how dangerous the potential violation is. Responses include:

- monitoring the content of the unlawful website and searching for information on its owner;
- making confidential contact with the infringer to resolve the conflict amicably or obtain evidence of bad faith;
- sending cease and desist letters; and
- initiating legal actions or bringing arbitration proceedings under the UDRP.

Hidden links on the social networks are increasingly dangerous too: Italy is at the forefront in fighting them.

An e-commerce platform was held liable for infringement for selling and allowing the sale of cosmetic products in violation of a selective distribution network, with prejudice to the brand reputation (Court of Milan, 3 July 2019).

In a case involving illegal downloads of copyrighted works through a peer-to-peer website, the Supreme Court (Criminal Division) held the website owner liable for supplying, through search engines or indexed lists, information (provided by some users) that was essential for other users to download the works (Case 49437, 23 December 2009).

On 1 July 2011 the Court of Bologna held that the use of another party's trademark as advertising keyword amounts to trademark infringement and unfair competition. Further, on 3 September 2015, not only enjoined the Court of Bologna the infringer from directly using the infringing domain name, but also ordered it to remove any link to the domain name on third-party websites – that is, it held that there is a burden on the infringer to prevent the further presence of the enjoined sign on the Internet.

The Court of Rome on 19 July 2022 issued a preliminary injunction against the production, marketing and online promotion of digital playing cards NFTs reproducing the distinctive signs of a famous Italian soccer team, as these activities had been carried out for commercial purposes and they exploited and diluted the relevant trademarks without authorisation, regardless of the digital nature of the cards in question.

Further, the Italian Competition Authority can shut down clone websites selling counterfeit brands. The Telecommunication Authority also adopted Resolution 680/13/CONS, which provides a fast, economic and simplified procedure for the removal of copyright-infringing online content, especially in urgent cases. Both interventions proved to be effective and have been widely used so far. This resolution has been challenged before the Constitutional Court, which, however, deemed that it is fully valid, since it complies with freedom of expression, economic freedom and proportionality.

### **PREVENTIVE MEASURES/STRATEGIES**

The relative ease with which description orders are obtained may be of great use in cross-border strategies for protecting IP rights, as they help to determine the international ramifications of the infringement. Specialised investigation agencies may also help to gather information undercover.

The courts consider that intentional cooperation between the licensee of a mark and a competitor of the mark owner in breach of the agreement between the mark owner and the licensee constitutes unfair competition. Breach of confidentiality is prohibited under the Code of Industrial Property and entitles rights holder request preventive and discovery measures, such as seizure and description orders. Thus, an appropriately drafted confidentiality agreement will be of great help in order to persuade a judge to grant preventive measures against the breaching party.

The use of authentication technology, in particular security labels, is becoming progressively more widespread, in part because it is encouraged by the public authorities (although no standard has yet been established in this regard).

The National Council for the Fight against Infringement and Italian Sounding Terms is in charge of coordinating the various public authorities charged with fighting infringement. Private associations such as INDICAM and Centro Studi Anticontraffazione likewise play an important role as they act as consultants to the legislature and bring key cases which promote the development of case law (see Court of Milan, 5 July 2022, establishing the entitlement of INDICAM to participate in infringement cases brought by a member of its, not only by filing amicus curiae briefs, but by actively intervening and taking part in oral hearings).

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# Mexico: Refreshed regime takes aim at administrative infringements and criminal counterfeiting

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## Summary

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## LEGAL FRAMEWORK

After entering into the agreement between the United States, Mexico and Canada (USMCA), Mexico reformed and even completely revised many of its domestic laws governing intellectual property rights and their enforcement. This included the enactment of the Federal Law for the Protection of Industrial Property (LFPPI), which entered into force on 5 November 2020, and significantly amending the Federal Copyright Law (LFDA), the Federal Criminal Code and other related procedural laws. These recent changes are aimed at providing better and more diverse legal mechanisms so that IP owners can better enforce and protect their intangible assets.

Under Mexican law, what most people name generically as 'counterfeiting' and 'piracy' are considered either as administrative infringements of the specific intellectual property rights involved (either trademarks, patents or copyrights) or criminal counterfeiting (applicable only to copyrights and trademarks), and the procedure and action brought would depend on the circumstances of each case. Evidently this distinction brings different procedural rules and effects, which in turn significantly increase the burden of legal requirements for IP owners to obtain favourable results.

Legal remedies seeking to stop trademark infringement are strongly linked to and are thus limited by the main legal causes that created them (administrative or criminal).

Considering the above, administrative infringement actions are brought and tried before the Mexican Institute of Industrial Property (IMPI) while criminal actions are brought before the General Prosecutor's Office (FGR) as an investigative and prosecutorial authority, which in turn – if there is sufficient evidence – can bring the case before a federal criminal judge after a formal indictment.

## BORDER MEASURES AND CUSTOMS ENFORCEMENT

After a series of amendments and reforms to several federal laws, in December 2021, the General Customs Administration (AGA) was dissolved, and a new independent institution responsible for customs administration and control, the National Customs Agency of Mexico (ANAM), was created. This new government agency assumes all the legal powers and responsibilities of the AGA but with broader legal customs enforcement and border protection powers. It has an essential role in enforcing intellectual property rights, but, like its predecessor, ANAM has no ex officio powers when dealing with IP infringement and may only take action after a competent authority (the IMPI, the FGR or a judge) issues an order or warrant instructing it to take enforcement action.

The lack of legal powers that would permit ANAM to take direct action makes it more difficult for IPR owners to swiftly enforce and defend their rights.

However, since 2011, Mexican customs authorities have been in charge of operating a database of trademark owners that serves as a watchlist and a source of information that Customs officials use to identify shipments suspected of involving infringing merchandise. The aim is to pass information to other authorities and trademark owners or their registered representatives in Mexico so that they can lodge formal legal action to detain or seize the shipment before it clears Customs.

Notwithstanding the lack of ex officio legal powers, measures taken at some customs offices (most notably at Manzanillo and Lazaro Cardenas seaports, which together handle more

than 85% of the container shipments from China and Southeast Asia) are highly effective because of their significant impact and reasonable costs.

Such actions interrupt the supply chain of counterfeits in the final stage (while the offending merchandise awaits customs clearance) before distribution to final consumers, which usually involves vast volumes of counterfeit goods. This approach has resulted in the seizure of millions of counterfeit items, and, in some cases, has led to the arrest of traffickers.

Anti-counterfeiting customs and border control efforts depend on the collaboration mechanisms between Mexican government agencies and trademark owners and their representatives. These efforts also hinge on the ability to monitor and detect the import and export operations of counterfeit and infringing goods, which is further fuelled by the commitment of the trademark owners who undertake the appropriate legal measures within the short time frames available (a maximum of 72 hours in most cases) before shipments clear Customs.

Collaborative efforts with customs authorities should not depend exclusively on including a trademark in the customs database but should involve investing time and effort in working with customs officials to give them the required knowledge to identify counterfeit products. Training seminars and regular face-to-face contact with officials mean that rights holders can demonstrate that they are prepared to invest in the relationship and therefore Customs' interest will be more effectively engaged, and the likelihood of successful action will increase. Nevertheless, this part of the process is sometimes overlooked. Customs authorities consist of thousands of people trying to do their jobs within the relevant legislation's confines (and shortcomings). Officials have to deal with a limited mandate, scarce resources and the ever-growing risk of being the target of violence.

It may be beneficial for rights holders to consider assigning resources to the education and awareness of customs and other law enforcement personnel. By actively participating in seminars, training and forums where direct contact with officials is possible, detection practices should improve. In this regard, response times from rights holders are critical in maintaining a good relationship with law enforcement, as the success of the authorities' actions often depends on how quickly rights holders respond and undertake the appropriate legal actions once a shipment of illegal goods is detected.

## **CRIMINAL PROSECUTION**

In more severe cases, where the violation is caused by importing into the country, storing, transporting, distributing and selling objects that bear marks identical to those covered by a trademark registration or when unauthorised exploitation of copyrights is performed with criminal intent, a criminal complaint may be the best option available.

These actions are lodged before the FGR, which is competent to investigate such crimes and is legally empowered to request the necessary remedies (cautionary measures) before competent courts.

After filing the claim and providing the available evidence, an FGR deputy prosecutor is responsible for the investigation, who is supposed to produce the necessary evidence to determine whether there is criminal trademark counterfeiting and unlawful copyright exploitation, and also to request from the competent courts the legal remedies necessary to stop illegal conduct, including the seizure of offending products and evidence required to support the case.

As part of the legal remedies available, search warrants can be requested before a judge to allow police to enter private premises to look for evidence and seize offending materials, which usually includes the ability to secure the physical grounds (eg, the seizure of real estate) where the criminal conduct takes place and the arrest of the people conduct.

In such matters, the police (under the command of the deputy attorney) are responsible for attesting to the existence of the sites where the counterfeits are being produced, distributed and sold.

One of the most welcome changes included in the LFPP is the substitution of FGR's in-house expert witness report for an official technical opinion issued by IMPI within 30 working days, through which the nature of the original products and the counterfeits is legally proven, in addition to the inclusion of a clear legal definition of what constitutes criminal counterfeiting of registered trademarks.

If sufficient evidence is gathered, the deputy attorney submits the case before a competent judge. If a person or group of people are identified as responsible for the illegal conduct, an indictment is issued, evidence is submitted and examined by the court (this is when a criminal trial begins), and hearings are conducted until all evidence is examined and all formalities are exhausted.

Once the decision declaring the criminal liability of the people involved is definitive and irreversible (once all judicial remedies and recourses have been exhausted), the owner or rights holder of the affected IP rights can file a request before a civil judge to recover damages. Such recovery implies a different civil procedure, although it is based on a criminal judgment.

Moreover, there are several circumstances present at each stage of these procedures that are beyond the control of the parties because the main responsibility of discovering and obtaining evidence, issuing the official legal briefs, and demonstrating the conclusions necessary to start and support a criminal judicial procedure falls on the prosecutors. Consequently, IP rights holders should collaborate and assist the FGR at each stage, but it is nevertheless almost impossible to estimate a precise time frame for criminal trials or to anticipate their results.

## **ADMINISTRATIVE AND CIVIL ENFORCEMENT**

The Mexican legal system is sometimes labelled a hybrid system in respect of trademark infringement claims because IMPI is an administrative authority that is legally competent for attending to and resolving claims, and is responsible for keeping the registry of IP rights such as trademarks and patents, before a court can intervene.

This situation directly affects how the legal proceedings are carried out and the results that can be expected from this type of legal action since IMPI is not a court. This is significant when the desired goal is to stop infringing conduct immediately and an aggressive approach is needed.

IMPI can enforce IP rights by ordering provisional measures that usually precede an administrative declaration of infringement, which generally includes fines plus the definitive order to stop the infringing conduct. IMPI may order:

- the withdrawal from circulation or a ban on the distribution of infringing merchandise;

- the seizure of infringing goods;
- cessation of the infringing conduct either directly to the alleged infringer or to any third parties that participate or facilitate the conduct.

Finally, IMPI may order the forceable closure of the infringer's premises, and under the provisions included in the LFPPI, IMPI may impose more significant fines (up to US\$1.1 million in the most severe cases) and also collect them, which should significantly shorten the time between the sanction being imposed and enforced.

Administrative infringement claims are usually brought when the actual infringement conduct consists of copying or using a trademark in a manner that is not identical but confusingly similar to a previously registered trademark to produce an association in the consumer's mind and illegally gain benefits.

Further, administrative infringement claims can involve specific legal remedies ordered by IMPI to cease the infringement and prevent further damage to the wronged party. Such remedies are foreseen in Mexican law as provisional measures and include:

- the order to immediately stop any or all of the conduct considered to infringe the plaintiff's trademark rights (similar to an injunction);
- withdrawal from the market of the infringing goods;
- the seizure of such goods performed by the ordering authority; and
- the closure of the establishment where the infringement is taking place.

In addition, before IMPI orders any provisional measure, the law requires the plaintiff to produce collateral adequate to cover possible damage that could be caused to the defendant. The amount of the guarantee is determined by IMPI depending on the extent of the requested measures and the case's specific circumstances. The usual practice is to post it before such authority in the form of a bond, deposit bill or a similar instrument before the provisional measures are granted.

Another meaningful change to the newly enacted LFPPI implies that an IP rights owner need no longer wait until an administrative infringement resolution is deemed final and definitive (IMPI's administrative resolutions can be challenged by nullity claims before the Federal Court of Administrative Justice and then by an amparo constitutional appeal before a circuit tribunal) to seek indemnification for the damages caused by the infringer, as IMPI may now study and determine damages or, alternatively if the plaintiff chooses to, take the damages claim to a civil judge, which again can be started even if the infringement resolution is not yet deemed as final and definitive.

Generally, it is essential to take into account that administrative procedures before IMPI are more formalistic and have some disadvantages, such as the obligation to post a bond on rights holders seeking seizures or the adoption of other provisional measures and the impossibility of seizing obvious counterfeits during official inspections due to the lack of an administrative complaint having already been filed by the rights owners.

### **ANTI-COUNTERFEITING ONLINE**

Another welcome change introduced to the newly enacted LFPPI and the amendments to the LFDA and related Mexican laws consists in the addition of specific legal provisions that regulate and punish conduct performed by the unlawful use of the Internet, specifically

concerning the use of e-commerce to distribute merchandise or digital contents that infringe registered trademarks, patents or copyrights, including the now-mandatory notice and takedown mechanism that has proved to be very effective in other jurisdictions.

Notwithstanding these advances, the question remains why – despite a growing number of provisions specifically addressing these matters and enabling authorities to act, plus the creation of highly specialised law enforcement units to combat online crimes, and the increasing public awareness – is the Internet still considered a safe haven for pirates and infringers? Internet piracy is complex, and the authorities face many practical obstacles, including the public's perceived tolerance and consent towards 'harmless illegal conduct'. The unfavourable situation could be summarised as a lack of resources of the authorities to investigate infringements and/or criminal offences thoroughly, plus the difficulty to exert adequate means to combat the problem effectively (ie, how to remove the veil of anonymity surrounding most illegal activities happening on cyberspace).

In this context, the most valuable aspect of any strategy to combat counterfeiting in the digital domain involves performing comprehensive investigations and taking the legal actions available to combat online counterfeiters, paired with a digital isolation strategy. If a vendor of counterfeit goods is unable to reach its potential consumers sooner rather than later, that counterfeiter will be driven out of business.

Under these principles, investing in periodic monitoring and evaluation (patrolling and investigating) of what is lurking in the different e-commerce sites (eg MercadoLibre, SegundaMano, eBay and Amazon), as well as specific social networks that have jumped on the bandwagon of offering their users the ability to sell merchandise on these social platforms, proves worthwhile. Once counterfeits are identified, bringing takedown actions before the administrators of these websites and portals, plus other legal actions directed at the providers (hosting companies) where the sites may be harboured, could effectively isolate counterfeiters without the need to seize and destroy the offending items.

### **PREVENTIVE MEASURES/STRATEGIES**

While it is impossible to implement actions to combat every aspect of counterfeiting and piracy, it is widely known that a number of countries in Southeast and East Asia (especially China) are the primary source of most counterfeit products. It makes sense to begin there and obtain sensible intelligence and data concerning the routes of the cargo manufactured and shipped from the region to several strategic territories throughout the world.

A wise investment should aim to produce legal actions (eg, claims and raids) one step before the very end of the supply chain, where counterfeit goods are sorted just before the final selling point, and gather the necessary information and evidence to discover the source of the products. This should also assist in directing further legal action towards the places of origin (manufacture), distribution and wholesale of illegal goods.

Another critical aspect to bear in mind when obtaining information is that counterfeiters' mechanisms and logistics are becoming increasingly sophisticated. The means used to obtain valuable data regarding the location of warehouses, and means of transportation and distribution should be equally capable of producing the desired results.

Those who invest in security measures such as alarms, safe boxes and guards to protect their valuable assets when crime rates increase are less prone to suffer losses than those

who did not want to spend resources on such measures because of tough financial times. Victims of robbery rarely recover their property.

It is essential to acknowledge that the people involved in counterfeiting usually see their activities as a business and will only be willing to devote their resources if they perceive that their investment will be profitable and carry little risk. If a rights holder has shown a relentless commitment to enforcing and protecting its IP rights, most counterfeiters will be reluctant to start carrying the merchandise of that particular brand, compared with other brands that are known not to enforce their IP rights.

Consequently, legal actions should be well publicised to reinforce the general perception of their rights holders' strict enforcement of IP rights (backed up by the actions themselves).



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# Romania: Customs doubles down on flow of counterfeits across non-EU borders

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## Summary

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## LEGAL FRAMEWORK

The following EU legislation applies to trademarks in Romania:

- EU Regulation 608/2013 (concerning customs enforcement of IP rights);
- the EU IP Rights Enforcement Directive (2004/48/EC);
- EU Regulation 2015/2424; and
- EU Directive 2015/2436 (to approximate the laws of member states relating to trademarks).

The following domestic legislation applies:

- national laws on border measures, including Regulation 608/2013 and Law 344/2005 (establishing IP rights protection measures in clearance operations);
- Government Ordinance 100/2005 (transposing the EU IP Rights Enforcement Directive into national law);
- the Code of Civil Procedures and the Code of Penal Procedures;
- the Unfair Competition Law (11/1991); and
- the Trademark Law (84/1998), in force since 13 July 2020.

## BORDER MEASURES

Romania joined the European Union on 1 January 2007. Consequently, the Romanian customs authorities' responsibility to protect the external border of the European Union increased considerably, as Romania has a significant border with non-EU countries (eg, Serbia, Ukraine and Moldova).

Among the customs offices located on the EU border, the one in Constanța Sud-Agigea harbour is by far the most important when it comes to combating the trafficking of counterfeit goods by sea. Maritime shipping containers bring large quantities of goods into Romania and therefore into the European Union, and the Constanța Sud-Agigea harbour customs office accordingly seizes the highest quantity of counterfeit goods.

Law 344/2005 does not supplement or affect in any way the provisions of Article 9(4) of the EU Trademark Regulation and Article 10(4) of Directive 2015/2436, or of the European Court of Justice (ECJ) ruling in *Nokia/Philips*, regarding goods in transit. Customs authorities currently seize goods in transit that are suspected of constituting an infringement of the IP rights relied upon, irrespective of the destination country based on Law 344/2005 applicable to all goods that: "(a) are placed in or out of the territory of Romania, inclusively from free area or free storage places; (b) are declared at Customs authorities for placing them under a suspended or definitive customs regime or for their re-export; (c) are placed under a suspended customs regime; or (d) are under customs supervising, in any other situations."

A notable difference between the EU regulation and the national law is their scope of application to customs regimes. National law applies not only to suspect counterfeit goods that are imported into or exported out of the EU territory, but also to all goods seized in the Romanian territory by Customs or the police, regardless of the type of fraud committed (eg, failure to declare, abandonment or avoidance of customs or tax procedures). In practice,

Customs seizes goods on entry into the European Union from non-EU countries and in-transit goods, while the police seize goods suspected of any type of fraud (eg, under excise legislation), whether at the EU border or at warehouses within the country. Therefore, when conducting compliance checks of shipments under the excise provisions of the Customs Intervention Law at any entry point into Romania, Customs may verify the goods' compliance with IP rights, either directly or on the request of the police.

Customs can act either on the trademark owner's request or at its own discretion. Intervention on request is based on an application submitted to Customs at national or EU level (the latter only for EU trademarks or designs). Customs intervenes on its own motion where it suspects that the goods may infringe IP rights. In both cases, Customs sends notification (in English) of the seizure to the rights holder (or the rights holder's appointed representative, where one is recorded at the Romanian Patent Office). In case of doubt as to the rightful recipient, Customs will send the same notification letter to various attorneys. Many attorneys regularly send lists to Customs setting out the IP rights they are empowered to defend.

Each notification gives basic information as to the seized goods and is accompanied by emails containing photographs of the seized goods. Rights holders may also visit customs offices to take additional photographs.

Where notifications are based on the suspicions of Customs and no intervention request has been filed, the rights holder has three working days to file such a request in response to the notification.

A notification is also sent to the importer or holder of the goods.

A typical notification sent by Customs includes:

- information on the actual or estimated quantity and the actual or presumed nature of the goods;
- the names and addresses of the consignee, the consignor and the declarant or holder of the goods;
- the customs procedure; and
- the origin, provenance and destination of the goods whose release has been suspended or that have been detained.

In some cases, not all details are included in the notification sent by Customs. The typical notification is sent by email and accompanied by photographs. In some cases, where the local customs office is unable to take photographs, the representative may go to the place where the goods are stored in order to take photographs.

In most cases, the rights holder requests destruction, and the holder of the goods does not oppose; the goods are then destroyed by authorised companies. The costs of destruction – borne by the rights holder – are usually reasonable.

If the holder of the goods opposes destruction, the rights holder must file a civil or criminal complaint (or both) within 10 working days. The rights holder can extend this term by another 10 working days by filing a request before expiry of the initial term. The same deadline applies where the rights holder wishes to sue the alleged counterfeiter for infringement instead of requesting destruction of the goods.

Customs is highly efficient in its operations, and customs officers are very helpful when dealing with rights holders; they can easily be reached by phone for details, send additional photographs on request and in general do their best to ensure that the procedure goes as smoothly as possible.

Currently, the Customs infrastructure appears to be overloaded and typical time frames for scheduling the destruction of seized goods can range from several months up to one or even two years from when the right holder confirms that the goods are counterfeit.

Since 2017 customs offices have been sending the minutes concluded between them and the warehousing firms to rights holders. These minutes include the estimates of the costs for warehousing and the monetary value of the goods as declared by the counterfeiter. The real cost of the warehousing depends on the period of storage for the goods, starting with their seizure and ending with their destruction.

Some rights holders are not interested in seizures of less than a certain number of items, owing to the relatively high costs involved in responding to Customs compared with the benefits gained from the destruction of the counterfeit goods. In such situations, according to current practice, rights holders frequently request Customs not to inform them about small seizures.

## **CRIMINAL PROSECUTION**

Counterfeiting is an offence punishable under criminal laws. Two types of crime are stipulated under the law: those that are considered to pose a threat to the public and those that are not. The penalties for the former are more severe.

Penal actions start with a penal investigation by the police, to check whether the counterfeiter's action falls within the definition of a 'criminal offence', defined as "the act that represents a social danger, being carried out with guilt and is defined as such by specific laws". Penal action is directed against a physical person, or against the legal representative of the company if the holder or declarant is a company. Counterfeiting of a trademark or design is defined as a criminal offence, both by the national trademark law and the Unfair Competition Law. Once the investigation is carried out, the police send the file to the prosecutor. If the prosecutor considers the action to be a criminal offence, the case is sent to the criminal section of the court. Unfortunately, in most cases, the prosecutor considers that the conditions for criminal offence are not met and criminal complaints end without being sent to court.

## **CIVIL ENFORCEMENT**

### **PRELIMINARY MEASURES**

Preliminary measures – such as sending cease and desist letters – are optional, but often beneficial, as they can save the significant efforts and expenses of a lawsuit.

Cease and desist letters may include an undertaking to be signed by the infringer (eg, a deadline for withdrawing the goods from the market) and a contractual penalty clause. In the absence of such an undertaking, the formal response of the infringer has the same value.

It is at the rights holder's discretion to allow any existing infringing goods on the market to remain on the market or insist that they be withdrawn or destroyed. Usually, rights holders request the withdrawal or destruction of the goods within a negotiated term from the date of serving the cease and desist letter.

## INTERIM INJUNCTIONS

In assessing a claim for an interim injunction, the court will determine whether all of the following conditions have been met:

- there is prima facie evidence of the claimant's rights;
- the matter is urgent; and
- failure to grant the injunction would prejudice the claimant's rights or cause it imminent and irreparable harm.

In respect of urgency, the law stipulates no specific time frame. In respect of irreparable harm, the claimant must adduce evidence that the infringement has already taken place or is imminent.

The injunction may be granted without summoning the parties; however, the courts try to avoid doing so. The court will consider the urgency of the case and the magnitude of the irreparable harm when deciding whether to summon the parties.

If granted, the interim injunction will remain in force during the main infringement proceedings. Interim injunctions cannot order the following:

- measures that can be ordered in the main infringement suit (eg, an order to permanently cease infringement or a damages award); and
- measures that, if enforced, would make reinstatement of the initial situation impossible (eg, destruction of the goods).

The court will issue an executory judgment. The defendant may appeal the injunction and request that execution of the decision be suspended pending the appeal. The appeal court will decide on the amount of security to be paid by the defendant in order to grant the request for suspension.

The decision on the interim injunction is not binding on the trial court – that is, there may be a finding of infringement in the interim injunction proceeding (if the injunction is granted), but the court hearing the substantive trial may conclude that no infringement occurred. Conversely, the judgment issued in the main proceedings is binding in respect of subsequent interim injunction proceedings.

## PERMANENT INJUNCTIONS

Permanent injunction claims filed by rights holders include specific requests (ie, sub-claims), the first of which is always the request for permanent cessation of non-authorized use of the relevant trademark. If granted, sub-claims constitute the remedies available pursuant to the IP Rights Enforcement Directive. Other sub-claims include:

- payment of damages;
- disclosure of information on the counterfeiting chain;
- destruction or recall of the goods; and
- publication of the decision in a newspaper.

Under certain conditions, a claim for summary proceedings can be converted into a claim for a permanent injunction.

Where an interim injunction request is filed before the claim on the merits, the court hearing the interim injunction case will stipulate in its decision a deadline by which the claimant must file the permanent injunction request. If the claimant fails to comply with this obligation, all provisional measures ordered by the court will cease.

The following evidence is allowed in permanent injunction proceedings:

- documentary evidence;
- cross-examination;
- expert opinions; and
- witness declarations.

### **REQUESTING DAMAGES**

There are two categories of monetary remedy: damages and reimbursement of trial costs. Damages are usually calculated as the lost profit of the claimant. In some cases an accounts expert report is ordered by the judge for the calculation of the damages.

To claim damages, the claimant must pay a stamp fee, the value of which is roughly 1% of the value claimed. Reimbursement of trial costs usually refers to the charges of the lawyers and attorneys. In this respect, the claimant must, at the closing of proceedings, produce the lawyers' invoices, as well as proof that the invoices have been paid. Judges are usually willing to decide to reimburse trial costs.

When requesting damages, the claimant must pay a court fee which varies in proportion to the amount claimed.

Damages are most commonly calculated as an estimation of the claimant's lost profits due to the presence of the defendant's products on the market.

Damages and legal costs as ordered by the court in its decision are not reimbursed ex officio. The successful party must notify the losing party to pay the amount ordered under the decision. If the losing party does not pay, the successful party can enforce the court decision through a court executor. Where the proceedings take many years to conclude, the losing party may become insolvent, in which case reimbursement of trial costs is subject to the general debt recovery procedure.

In some cases, the court may require the rights holder to provide a financial guarantee if the measures it has requested are likely to prejudice the defendant.

### **ANTI-COUNTERFEITING ONLINE**

No specific provisions apply to online counterfeiting, and the general rules apply. The number of such cases is increasing, but remains small in comparison to the number of traditional counterfeiting cases being brought before the courts.

Cases relating to online counterfeiting pose problems regarding the provision of evidence, as websites can change rapidly, and it may be difficult to determine the infringer's identity. However, online counterfeiting allows the claimant to file suit before any court where internet access is available.

Court actions can be combined into a single suit where a trademark is infringed through use of a domain name that is identical to the trademark alongside other infringement activities. Such disputes can sometimes be resolved out of court by submitting the matter to the relevant domain name authorities.

### **PREVENTIVE MEASURES/STRATEGIES**

Rights holders should consider four strategic measures to prevent infringement of their rights.

First, they should ensure that their trademarks are in genuine use for the goods or services for which they are registered and that there is sufficient evidence of use. For national and international trademarks designating Romania, use must be within the Romanian territory. For European trademarks, use can be in any EU member state; however, in practice, enforcement in Romania is better managed when the mark is used within the Romanian territory. Use is not mandatory for new trademarks (less than five years from registration), but is highly advisable.

Second, rights holders should keep a close eye out for infringers on the market, in cooperation with distributors and licensees where direct monitoring and investigation is impossible. Sometimes it is necessary to monitor distributors and licensees themselves, as they may be infringers as well. This ensures that counterfeiting is detected as early as possible and that sufficient evidence is established.

Third, rights holders should appoint trustworthy local counsel as early as possible so that a customised strategy can be established with them from the outset. Such a strategy may include monitoring infringers' registered rights and applications (where applicable), oppositions and invalidity actions.

Rights holders should involve authorities as much as possible – for example, by requesting customs intervention for their primary trademarks, notifying Customs of their appointed representative and submitting a list of their registered rights to Customs.

### **REPAIR CLAUSE**

As far as the repair clause is concerned, Article 45 of the National Trademark Law restricts the owner of a registered trademark from prohibiting the use of that trademark for indicating the designation of a product, especially for accessories or spare parts (similar provisions are found in Article 14 of EU Regulation 2017/1001).

Registered designs or models are treated differently, however. Article 32c of the Designs Law reads as follows: "The rights conferred by a registered design or model cannot not be exercised for the equipment on ships and aircraft registered in a third country, when these temporarily enter the territory of Romania or for the importation of spare parts and accessories for the purpose of repairing such craft or for the execution of repairs on such craft." This is also provided for EU states in Article 20(2) of EU Regulation 6/2002.

Another relevant provision of the Designs Law concerns the requirement that a design or model representing a component of a complex product remain visible during normal use of the product, except during maintenance or repair (see also Article 4 of EU Regulation 6/2002), as grounds for refusing the registration or cancellation of a registered design.

A 2019 landmark decision involved a case concerning vehicle spare parts. Company A sells vehicle spare parts and, along with its own trademark, places labels on its products to

indicate compatibility with particular vehicle models. Company B, the owner of trademarks for the vehicle models corresponding to Company A's spare parts, sued Company A alleging trademark infringement due to the labels on the parts indicating compatibility with said vehicles. Company B claimed that affixing the labels mentioning Company B's trademarks onto the spare parts constituted non-authorized use of their marks.

In February 2018 the first-instance court ruled that there was no trademark infringement. Company B appealed, but the appeal was dismissed in June 2019. The Court of Appeal decision was further appealed to the High Court of Cassation and Justice.

In December 2021 the High Court of Cassation decided to admit the final appeal and to send the case back to the Court of Appeal for a new judgment. During the proceedings, Company B invoked a recent decision taken by the High Court of Cassation in another file in June 2021 concerning Company C and the trademark owner for the vehicle models corresponding to Company D's spare parts. The invoked decision underlines several aspects that the High Court considered necessary for evaluation by the Court of Appeal:

- The necessity to establish whether the use of the registered mark among codes formed by figures on the spare parts is designated to provide public information concerning the goods and whether it represents the only modality for correct information that is complete and intelligible to the public.
- The necessity to identify eventual infringement of the third party regarding the obligation of loyalty in respect to the legal interests of the mark owner, according to the ECJ's definition in Gillette.
- The necessity to establish whether the third party's use of the mark can affect the mark's value, allowing the third party to take advantage of the distinctive character or reputation of the mark (according to Gillette), taking into account the normal practices in the market of the spare parts.

In June 2022, the Court of Appeal issued a decision in the new round of proceedings of the case deciding to admit the appeal of Company B, considering that it cannot be excluded that Company A's use of the mark (along with its own trademark, on its spare parts products to indicate compatibility with particular vehicle models of Company B) may suggest to the consumer a connection between Company A and Company B. The decision is currently under final appeal.

## COMMENT

Counterfeiters are creative by nature; therefore, rights holders must be as alert and creative as possible in enforcing their rights, and always try to stay one step ahead of them.

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# South Africa: Targeted law is already scoring big wins against domestic fakes

Mohamed Khader and Jarred West

Spoor & Fisher

## Summary

LEGAL FRAMEWORK

BORDER MEASURES

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## LEGAL FRAMEWORK

### CGA

The Counterfeit Goods Act 37/1997 (CGA) aims to combat the trade in counterfeit goods. It was implemented in conjunction with amendments to the Merchandise Marks Act 17/1941 (MMA), which had hitherto been the principal weapon used to deal with counterfeit goods. All provisions of the MMA concerning counterfeit goods have now been stripped, and their counterparts are found in the CGA.

Before the CGA, the only pieces of domestic legislation that provided any measure of relief against trade in counterfeit goods were the MMA, the Copyright Act 1978 and the Trademarks Act 1993. The provisions of those acts have largely been found wanting as they create offences only in respect of some forms of trading in counterfeit goods. They also lack appropriate and effective mechanisms, procedures and penalties that are appropriate for combating trade in counterfeit goods.

Purpose of the act: The CGA is intended to enable owners of registered trademarks, copyrights and marks protected under the MMA to take action against the counterfeiting of their products and provide for streamlined and effective enforcement measures. It brings South Africa into compliance with certain provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights, to which it is a party.

Functioning of the act: The CGA provides for inspectors to search and enter premises to seize counterfeit goods. It is an offence for a person to have counterfeit goods in his or her possession or control, or to exhibit such goods in public for the purposes of trade.

Proceedings in terms of the CGA are subject to strict technical requirements and deadlines. Once the holder or licensee of an IP right has lodged a complaint with a designated inspector, the latter may obtain a warrant to enter and inspect any premises or vehicle and to seize and confiscate any suspected counterfeit goods located therein. If a prosecution or civil proceedings do not go ahead, the seized goods are released.

### PRACTICAL DEFINITION OF COUNTERFEIT GOODS

In practical terms, 'counterfeit goods' are defined to be goods unlawfully bearing or embodying a trademark or the copyright of another without authorisation or having the appearance of the goods of another. To constitute an act of counterfeiting, the act must infringe (or give rise to the infringement of) a trademark right, copyright or both.

### COUNTERFEIT GOODS IN PRACTICE

Counterfeit goods are imitations of goods embodying an IP right, or goods bearing spurious marks, that are infringing articles in respect of an IP right (ie, the person manufacturing, producing or making the goods, or applying the subject matter of an IP right to them, in so doing commits an act of copyright or trademark infringement, or an act contravening the MMA).

The CGA does not extend to rights conferred by the Patents Act or the Designs Act.

### INITIATING SEIZURE OF COUNTERFEIT GOODS

Provision is made for the appointment of inspectors, namely:

- any police official as defined in Section 1(1) of the Criminal Procedure Act that has the rank of sergeant or higher;
- certain customs and excise officials; and
- any person designated as an inspector by the minister of trade and industry in a notice published in the Government Gazette.

Inspectors have wide-ranging powers to search for, seize and detain goods that are suspected to be counterfeit.

The CGA confers certain powers on inspectors, either acting on their own initiative or after having received a complaint by a person who has an interest in the goods that are the target of counterfeiting. Provided that there are reasonable grounds to believe that an act of dealing in counterfeit goods is taking place, inspectors may enter any premises or vehicle and search for counterfeit goods and seize and remove goods that are (or that are reasonably suspected of being) counterfeit.

### **DEALING IN COUNTERFEIT GOODS**

The CGA prohibits certain conduct relating to counterfeit goods, including:

- having goods in the possession or control of any person in the course of business for the purpose of dealing in them;
- manufacturing, producing or making goods except for the private and domestic use of the person by whom they were manufactured, produced, or made;
- selling, hiring out, bartering or exchanging goods, or offering or exposing goods for sale, hire, barter or exchange;
- exhibiting goods in public for the purposes of trade;
- distributing goods;
- importing goods into or through South Africa, or exporting goods from or through South Africa, except for the private and domestic use of the importer or exporter, respectively; or
- in any manner disposing of goods in the course of trade.

Section 2(2) of the CGA, which is the heart of the act, provides that any person who performs or engages in any prohibited conduct relating to counterfeit goods will be guilty of an offence if:

- at the time of the act or conduct, he or she knew (or had reason to suspect) that the goods to which the act or conduct relates were counterfeit; or
- he or she failed to take all reasonable steps to avoid any act or conduct of the nature contemplated in Section 2(1) from being performed or engaged in with reference to counterfeit goods.

### **LODGING A COMPLAINT WITH AN INSPECTOR**

A complainant is a person that has an interest in protected goods (including his or her lawyer, agent or representative) regardless of whether the interest is as the holder or licensee of an IP right, or as an importer, exporter or distributor of protected goods. It is common practice

for lawyers to depose to the affidavit of complaint on behalf of the rights holder. Under the CGA, such person is entitled to lodge a complaint with an inspector.

The complainant must lodge a complaint, usually in the form of an affidavit, in which the following material allegations must be made:

- an act of dealing in counterfeit goods has been, is being or is likely to be committed (the allegation must be based on a reasonable suspicion, and the affidavit of complaint should contain sufficient facts from which it can be concluded that an act of dealing in counterfeit goods, has been, is being or is likely to be committed).
- information and particulars to the satisfaction of the inspector that the alleged counterfeit goods are prima facie counterfeit goods; and
- sufficient information and particulars on the subsistence and extent of the relevant IP right.

### **INSPECTOR'S REACTION**

An inspector who is reasonably satisfied that the complaint complies with the provisions of the CGA is entitled to take various steps thereunder if the complainant's suspicions appear to be reasonable in the circumstances.

An inspector must seek a warrant (from a judge or magistrate having jurisdiction) to conduct a search and seizure raid, except in certain exceptional circumstances when a warrant is unnecessary. The issuance of the warrant will entitle the inspector to take various search and seizure steps, as authorised by the warrant.

When no complaint has been laid, the inspector may, in certain circumstances, act on his or her own initiative in relation to any act or conduct believed (or suspected) to be an act of dealing in counterfeit goods, subject to prescribed constraints.

### **POST-SEARCH AND SEIZURE PROCEDURE**

Once an inspector has undertaken the search and seizure operation, he or she must give written notice of the seizure to the suspect and the complainant, specifying the actions taken and the address of the depot where the seized goods will be stored.

The notice issued to the complainant will state his or her right to lay a criminal charge against the suspect within three days.

No period is prescribed for the handing of this notice; however, in terms of current practice within the police, the notice must be issued immediately.

### **SEIZURE OF GOODS**

An inspector who has seized any suspected counterfeit goods will seal them and record an inventory to be checked for correctness by the person from whom those goods are seized, and if correct, for that person to certify its correctness.

The seized goods must be stored in safe custody at a designated counterfeit goods depot until its manager is ordered by the court or inspector to return, release, destroy or otherwise dispose of them.

The complainant will be responsible for monthly storage costs while the goods remain in the depot. The costs may be recovered should the complainant pursue civil proceedings against the suspect.

### **RELIEF AVAILABLE TO COMPLAINANTS UNDER THE ACT**

In addition to the quick and effective seizure of counterfeit goods by inspectors, the CGA empowers the courts to order, among other things, that:

- goods found to be counterfeit be delivered to the holder of the relevant IP right (or a complainant deriving title from the right holder), irrespective of the outcome of the proceedings;
- the accused or defendant disclose the source from which the counterfeit goods have been obtained and the identity of the persons involved (or ostensibly involved); and
- damages in an amount determined by it, as well as costs, to the suspect.

Other available measures include:

- cease and desist letters or letters of demand (which are often the first legal step and are used in matters where the quantity of goods is low, and the costs of pursuing litigation would not be justified); or
- instituting civil litigation against the perpetrator.

Usually, the civil proceedings are instituted where the CGA may not apply (eg, in cases of trademark or copyright infringement that do not fall within the ambit of the CGA). Civil proceedings will also be invoked in cases relating to patents, designs, plant breeders' rights and common law rights for passing off and unlawful competition.

### **BORDER MEASURES**

Section 15 of the CGA deals with the powers of the customs authorities regarding counterfeit goods being imported into South Africa. The holder of an IP right may apply to the commissioner of customs to seize and detain all goods that are suspected to be counterfeit and that are imported into or exported from South Africa during the period specified in the application.

The commissioner has implemented a specific policy for the implementation of Section 15, and rights holders are encouraged to record their rights with the commissioner. On acceptance of the application, it is valid for two years.

In practice, when an application is filed and accepted by the commissioner, the customs officials at all ports of entry will be notified of the application and will keep a watchful eye out for suspected counterfeit products bearing the IP rights referred to in the application.

When a consignment of suspected counterfeit goods is detected, the customs authorities will detain it and immediately notify the right holder or its local representative (usually the right holder's local lawyers).

Samples of the suspected counterfeit goods will be made available for inspection, and Customs will require an affidavit (within five working days) confirming the counterfeit nature of the detained goods, failing which the goods will be released to the importer. The right holder may request an extension.

Having filed the affidavit, the customs official will then (in his or her capacity as an inspector) apply for a search and seizure warrant and formally seize the offending goods. The post-search and seizure operation procedure also applies to customs seizures.

Domestic customs authorities encourage rights holders to meet with their officials for the purposes of brand identification training and to furnish any information that will assist and enable the officials to be proactive and prevent the importation of counterfeit goods into South Africa.

### **CRIMINAL PROSECUTION**

If, following the issuance of a seizure notice, the complainant wishes to bring criminal charges with the police against the suspect for dealing in counterfeit goods, and to request a criminal investigation, it must do so within three days of the seizure notice being issued.

If no charges have been brought within three days, the seized goods must be released to the suspect unless the complainant exercises its right to institute civil proceedings.

Where a criminal charge is brought against a suspect, the state must, within 10 working days of the issue of the seizure notice, inform the suspect in writing of its intention to institute a criminal prosecution for having dealt in counterfeit goods. If this notice is not given, the seized goods must be returned to the suspect, unless the complainant has exercised the right to institute civil proceedings against the suspect.

### **OFFENCES AND PENALTIES**

An individual convicted of dealing in counterfeit goods is liable, in the event of a first conviction, to a maximum fine of 5,000 rand for each article to which the offence relates or imprisonment for up to three years, or both.

In the case of a subsequent offence, the maximum fine increases to 10,000 rand and the maximum period of imprisonment increases to five years.

### **CIVIL ENFORCEMENT**

If a complainant wishes to institute civil proceedings against a suspect, it must give written notice (within 10 days of the issue of the seizure notice) of its intention to do so; otherwise, the seized goods must be returned to the suspect unless the state has notified the suspect of pending criminal prosecution.

Having given written notice to the suspect, the state (or the prospective plaintiff in civil proceedings) must institute the proceedings within 10 working days; otherwise, the seized goods must be returned to the suspect.

It is essential for rights holders who intend to pursue a matter under the CGA to understand these post-seizure requirements.

### **ANTI-COUNTERFEITING ONLINE**

#### **UNAUTHORISED INTERNET COMMERCE**

Counterfeit goods are typically sold online through mainstream social media platforms or from independent websites, but a growing trend demonstrates the advertising of counterfeit goods on a social media platform with a link directing consumers to the website. Although the CGA remains the primary legislation for the purposes of takedown notices, relief can

also be sought from general legislation. In the instance of an online payment, the Electronic Communications and Transactions Act 25 of 2002 (ECTA) holds that any seller must provide a sufficient description of the characteristics of the goods they are selling to enable the consumer to make an informed decision – this would mean a disclosure that goods sold are not genuine. Failure to do so empowers a consumer to cancel the transaction within 14 days of receiving the counterfeit goods.

### **ONLINE INVESTIGATION STRATEGIES**

There are two primary routes to identify counterfeit goods online: (1) automatic monitoring using sophisticated tracking software and artificial intelligence; and (2) conducting manual searches – specialised searching services are available to perform this role. Both can be effective; however, manual searches introduce a human element that can identify the discreetly disguised counterfeit items as well as new counterfeiting practices. Where these are discovered, an investigator would pose as a customer and attempt to elicit as much information as possible on the suspect's operations, especially to determine whether it is a seller or manufacturer and conduct a test purchase. In the event that the test purchase is confirmed to be counterfeit, an aggressive strategy of performing online takedowns, addressing suitable letters of demand and/or offline enforcement action can be initiated.

### **ISP LIABILITY**

Under the ECTA, the internet service provider (ISP) will not be held liable for solely providing access to the internet and transmitting the data. However, they must perform a take-down of the website upon receiving a bona fide complaint of infringing content being displayed, such as that of counterfeit goods. This is not the only way to obtain a website takedown; the ECTA also makes provisions for a competent court to order a service provider to terminate or prevent unlawful activity in terms of any other law – including the provisions of the CGA.

### **PREVENTIVE MEASURES AND STRATEGIES**

#### **USE OF LOCAL COUNSEL AND INVESTIGATORS**

Owing to the sophisticated nature of the illegal activities conducted by particular importers, manufacturers and distributors, it is essential that IP rights holders develop an investigative strategy to combat the dealing in counterfeit goods. For this purpose, local counsel and investigators who specialise in anti-counterfeiting law can be of great assistance in advising and recommending appropriate strategies.

#### **CONTROL OF CONTRACTUAL RELATIONSHIPS WITH THIRD PARTIES**

If rights holders license the manufacturing of their goods to third parties, it is essential that the contractual relationship be controlled. There have been instances where the source of counterfeit goods and gray goods have been traced back to a licensee or third-party manufacturer of the right holder. Controlling the contractual relationship is, in itself, a preventative measure.

#### **COOPERATION WITH NATIONAL ANTI-COUNTERFEITING AGENCIES**

To ensure that rights holders take full advantage of the anti-counterfeiting programmes in South Africa, it is essential that they develop relationships with local law enforcement agencies such as the police and Customs. The police and Customs encourage rights holders

to visit their offices and furnish appropriate brand identification training to their members and officials.

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# Thailand: Proactive enforcement reduces infringement and increases investor confidence in growing economy

Satyapon Sachdecha, Kritsana Mingtongkhum and Shantanu Ajit Tambe  
Satyapon & Partners Ltd

## Summary

LEGAL FRAMEWORK

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PREVENTIVE MEASURES/STRATEGIES

In recent years, Thailand's proactive efforts in combating intellectual property infringement have demonstrated visible results in the international community. The strategic importance given by the government to the protection of IP and the actions undertaken by the enforcement authorities have increased investor confidence, boosting Thailand's image globally and creating support for industry, innovation and technology. The United States Trade Representative's 2021 Review of Notorious Markets for Counterfeiting and Piracy excluded Thailand for the first time in many years. Thailand's Department of Intellectual Property (DIP) organises an annual destruction ceremony, destroying millions of dollars' worth of counterfeit goods.

Nonetheless, despite the anti-counterfeiting efforts, IP infringement persists. Offline channels such as physical stores, which had substantially reduced or in some cases, shut down, during the pandemic, found their way onto e-commerce platforms, where they found it easy to offer infringing goods to the public from the comfort of their homes. Though the effects of the pandemic have subsided, the infringers are now increasingly positioning themselves in both online and offline channels, making it a two-pronged fight against stopping counterfeiting.

### **LEGAL FRAMEWORK**

The law on trademarks in Thailand protects both registered and unregistered trademarks. Trademark registration and enforcement are governed by the Trademarks Act (BE2534/1991) and the amending Trademarks Act (No 2) (BE 2543/2000) as well as Trademarks Act (No 3) (BE 2559/2016). Section 44 of the Trademarks Act grants exclusive rights to the registered owner to use the registered trademark with the registered goods, and Sections 108-110 provide for penalty for violation of this exclusive right. Unregistered trademarks are protected via the remedy of passing off, provided under Section 46 Paragraph 2 of the Trademarks Act. Protection for unregistered marks is also set out in Sections 272 to 275 of the Penal Code.

In addition to these statutes directly governing trademarks, the Civil and Commercial Code, the Consumer Protection Act, the Drugs Act, the Industrial Products Standard Act, the Computer Crime Act and other relevant laws and regulations are often used by trademark owners to enforce their rights.

The Intellectual Property and International Trade Court adjudicates both criminal and civil actions regarding intellectual property, and court procedures are governed by the Act for the Establishment of and Procedure for the IP and International Trade Court (BE2539/1996) and the Rules for IP and International Trade Cases (BE 2540/1997).

### **BORDER MEASURES**

In July 2022, the Thai Customs Department officially issued its Notification of the Customs Department No. 106/2565 (2022) Re: Control of Export, Import and Transit of Trademark and Copyright Infringing Goods, repealing in its entirety, and replacing any prior notifications of the Customs Department governing any arrangements relating to trademark and copyright infringing goods.

Under the Customs Act (BE 2469), IP rights infringing goods are considered prohibited goods. The Customs Department therefore plays a major role in border enforcement and

routinely seizes both large and small volumes of counterfeit goods being brought into Thailand.

Previously, the Thai Customs Department liaised with the DIP and relied on the DIP database to check the registered owner's IP rights. Pursuant to the new regulations, IP owners need to re-record all their registered trademarks or copyright with the Thai Customs Department directly.

Upon detention of the suspicious goods, the Customs Department will notify the importer or exporter as well as the IP owner or their agent although the IP owner need not file a response. If the importer or exporter pleads guilty or confesses that the goods detained are infringing goods, the Customs Department will proceed to take an ex officio action, without requiring verification or confirmation from the IP right owner or their legal representative.

However, if the importer or exporter objects to the confiscation and claims that the goods are genuine, the importer or exporter must raise an objection and submit evidence proving that the goods to be imported, exported or brought in transit are genuine. The Customs Department will then issue another notification to the IP owner or their agent, instructing them to submit a letter of confirmation and application for prosecution within three days from the date of receipt of the notification.

The IP owner or their agent may request an extension of a maximum of seven days, but the total duration of the period from receiving notification until the date of response by the IP owner or their agent should not exceed 10 days.

The Customs recordation of the trademark or copyright shall be valid for three years from the date of receipt of the application or for the remaining period of protection of such trademark or copyright pursuant to the trademark or copyright law, whichever is earlier.

An extension of the validity period of such information may be requested by submitting an application of extension with the Enforcement Division, Customs Department, not less than 30 days prior to expiration, and upon submission of the application for extension of time, the information shall remain valid for another three years.

## **CRIMINAL PROSECUTION**

An IP right owner may take a legal action against a trademark infringer in the form of a criminal action and/or a civil action. A criminal action is preferred over a civil action if the IP owner is interested in seizing the infringing goods with the help of a police raid and subsequently punishing the infringer via imprisonment and/or fine. The IP right owner can institute a criminal action either on its own or request the police to handle the case, because of their authority to arrest the suspect and to search and seize infringing materials, which would serve as important evidence in a court case. In most cases, IP owners prefer seeking assistance from the police.

Infringement of a registered trademark is a criminal offence under Sections 108 to 110 of the Trademarks Act and punishable with imprisonment and/or a fine. Thai law provides for two kinds of infringement: trademark counterfeit and trademark imitation. The case for an action based on trademark counterfeit is fairly straightforward, and there is no burden of proof on the IP right owner, for a legal action based on trademark imitation, the IP right owner also needs to prove the infringer's intent to mislead.

If the mark is registered abroad, Sections 273 to 275 of the Penal Code can apply instead. If there is no registration at all, or the goods do not match but the mark is well known, Section 272(1) on passing off can be applied in conjunction with Section 275.

A criminal action will be initiated after the IP owner files a complaint with the relevant police force through its legal representative. A valid complaint must include a trademark registration certificate and a signed, notarised and legalised power of attorney from the rights holder, and the case must be brought within five years of the infringement. Trademark infringements are considered offences against the state and, once a criminal case has been filed, it cannot be dropped or negotiated. The police and the public prosecutor must proceed to a final decision.

### **PRELIMINARY MEASURES**

Once the IP right owner formally files a criminal complaint with the police, the police review all the available information before deciding whether the case has merit. Once the police verify all the information and confirm that the case against the infringer has merit, they will then conduct a raid. To verify the infringing goods, the rights holder's representative usually accompanies the police. The infringing goods are seized and any infringers are arrested. The seized goods are held by the police until the court announces a final decision.

### **PROCESS**

If, following a thorough investigation, the police determine that the accused infringer should be prosecuted, the police will pass the case to Public Prosecutor, who will then file an action on behalf of the state. If the case is contested, the IP right holder may join the case as co-plaintiff. According to the available statistics, in over 90% of cases, the infringers plead guilty. If the infringer pleads guilty, it takes around six to nine months from the date the raid was conducted to obtain a judgment.

### **REMEDIES**

The criminal penalty for the infringement or violation of an IP right is a fine, imprisonment or both. The penalty for counterfeiting a trademark as provided under Section 108 is imprisonment not exceeding four years or a fine not exceeding 400,000 Thai baht, or both. The penalty for imitating a trademark as provided under Section 109 is less stringent, imprisonment not exceeding two years or a fine not exceeding 200,000 Thai baht, or both. There is no clear penalty provided for a passing off action under the Trademarks Act. The court may exercise its discretion as to the severity of the penalty imposed on the infringer. All infringing products will be destroyed following the final judgment. To claim damages, the IP right owner must file a separate civil suit.

Generally, if the infringer pleads guilty, the court may reduce the sentence by half. Under the law, an infringer who completes a penalty and then commits an offence under the same law within five years, will receive double the penalty for the offence. The court usually fines first-time offenders, sellers and importers. Although an offender may be imprisoned, in most cases the court will suspend the prison sentence and release the offender with or without conditions. The court will impose an immediate term of imprisonment if the offence involves a large quantity of goods or concerns health and public safety.

### **CIVIL LAWSUIT TO CLAIM DAMAGES**

An IP right owner may also pursue a civil action against an infringer to recover damages, in addition to criminal prosecution. To claim damages, the IP right owners need to satisfactorily prove to the court the actual amount of damages suffered as a direct result of the infringing activities. The law is not clear on how to calculate damages, hence the court usually grants the damages based on the circumstances of the case and the gravity of infringement. Thai courts do not grant punitive damages to the claimant.

The Trademarks Act also gives the owner of an unregistered trademark the right to take action based on passing off. To prove passing off, the plaintiff must show that the mark is well known to the Thai public and that the defendant intended to deceive.

### **PRELIMINARY MEASURES**

Section 116 of the Trademarks Act provides for preliminary injunctions for IP right owners who seek interim measures from the court to stop or refrain the infringer from committing the infringing activity. If there is clear evidence that someone is committing or is about to commit an act of counterfeiting or imitating a trademark, the owner may apply to the court to stop such act.

The IP and International Trade Court Act and its ensuing rules also allow a plaintiff to seek an ex parte order for search and seizure of evidence of infringement (Anton Piller order). A litigating party that is concerned that the evidence which it may later present to the court might be destroyed, damaged, concealed or otherwise disappear may file an application requesting the immediate seizure of such evidence in advance, even before trial. In addition, when applying for the Anton Piller order, the rights holder may seek a preventive injunction to halt further infringement. However, preliminary measures are rarely granted, often due to the difficulty in submitting evidence to the satisfaction of the court that they are absolutely necessary.

### **PROCESS**

Once the IP owner files a civil suit at the court, the court will forward a copy of the complaint to the other party, who must respond within 30 days of receipt. Once both parties have filed their response, the court will set a pre-trial hearing, during which the court will allow the parties to amicably settle the dispute through negotiations or mediation. If the parties cannot or will not settle, the court will list the issues to be heard in the case and set the trial date. This process can take up to one year. Both parties must submit evidence at least seven days before the first trial date. The Rules of the IP and International Trade Court propose a number of sophisticated procedural measures that effectively expedite trials, such as using video conferencing and affidavits or depositions, and admitting documentary evidence in English.

### **REMEDIES**

In civil suits, the IP right owner may seek a permanent injunction against the infringer and seek to recover any proven damages. However, because the Thai courts grant only actual proven damages and no punitive damages, the actual compensation rewarded to the petitioner is often negligible. In practice therefore, most trademark owners prefer to take a criminal action, because of the uncertainty of the outcome, expense, delays and the difficulty of proving actual damages in civil trials.

### **ONLINE COUNTERFEITING**

Even though counterfeiting activity has existed in online channels for some time, the global pandemic has created a seismic shift towards online channels. Sellers of infringing goods have increasingly focused on e-commerce platforms and social media.

To stop such online infringement, IP owners may either take down the URLs on which the infringing content is being posted, or coordinate with the e-commerce platforms to take down the infringing post. The e-commerce platforms are generally cooperative; once the IP owners provide evidence of their registered rights in Thailand, most platforms assist in taking down the infringing content. However, Thai trademark law does not provide for landlord liability, and a recent landmark judgment from the Central Intellectual Property and International Trade Court found the e-commerce platform not liable for a third party's IP infringement.

IP right owners may also rely on the Computer Crime Act (BE 2550/2008), under which a competent official may file a petition to the court requesting it to block the dissemination of, or delete, the computer data violating IP law. The IP owner or its representative can collect the necessary evidence proving infringement and submit it to either the DIP officer or an inquiry official. The DIP officer or inquiry official will review the evidence and forward it to the Ministry of Digital Economy and Society (MDES). The MDES officer, after receiving the request and reviewing the evidence submitted, forwards it to the Minister for approval. If the request for suppression of the computer data is approved, the officer forwards the matter to the court. After the court issues an order granting suppression or deletion of the violating computer data, the MDES notifies the relevant internet service provider (ISP) to immediately block or delete the computer data.

As the process of blocking or deleting the infringing content under the Computer Crime Act is quite lengthy, the IP right owners often seek the help of legal representatives to send an effective cease and desist letter to the alleged infringer, once he or she has been identified.

### **PREVENTIVE MEASURES/STRATEGIES**

IP right owners are always encouraged to seek the services of local counsel, who have experience in dealing with counterfeiters and working with various government authorities. The local distributors and licensees of global IP brand owners play a crucial protective role by monitoring the local market and highlighting any infringement activity.

Registration of trademarks in Thailand remains of utmost importance. Not only do registered trademarks accord a stronger protection against infringement, but also local authorities, including the police, are far happier to take action against registered trademarks. Also, the owners cannot record their unregistered trademarks with the Customs Department. To get secure border protection, it is imperative that the trademarks are registered with the Thai Trademark Office and then recorded with the Customs Department.

IP owners may also conduct annual training and awareness workshops for various government agencies with the help of the local counsel. Such awareness programmes and training seminars are essential tools in creating awareness of how to differentiate counterfeit goods from genuine goods and in keeping the authorities aware of trademark issues. Providing such training also helps emphasise that rights holders are serious about tackling infringement.



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# United States: How a multi-pronged legislative approach is curbing the online trade in fakes

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## LEGAL FRAMEWORK

Anti-counterfeiting enforcement in the United States stems largely from two federal statutes: the Lanham Act (codified at 15 USC Section 1051) and the Trademark Counterfeiting Act 1984 (codified at 18 USC Section 2320). The Lanham Act provides civil remedies for trademark infringement and counterfeiting, while the Trademark Counterfeiting Act criminalises certain violations of the Lanham Act's anti-counterfeiting provisions, making these offences federal crimes. While there are additional state and federal laws that impose civil and criminal liability for counterfeiting, most anti-counterfeiting enforcement actions are derived from these two statutes.

The Lanham Act defines a counterfeit mark as "a spurious mark which is identical to or substantially indistinguishable from a registered mark" (15 USC Section 1127). Ownership of a valid US trademark registration is therefore a prerequisite to a successful trademark counterfeiting claim under federal law. This definition also requires a higher degree of similarity between the marks than the 'likelihood of confusion' standard applied in a typical trademark infringement case. To qualify as 'counterfeit', the mark must be identical to or substantially indistinguishable from the registered mark. Under this more stringent standard, additional remedies are available for trademark counterfeiting beyond those available for trademark infringement.

Grey market goods do not qualify as counterfeit; therefore, distributors and sellers of grey market goods are not subject to criminal penalties. However, rights holders may have other claims against such distributors and sellers based on other intellectual property or contract laws.

## BORDER MEASURES

### US CUSTOMS AND BORDER PROTECTION

US Customs and Border Protection (CBP) is the primary federal agency responsible for addressing counterfeit goods at the United States border. All persons, baggage and merchandise entering the United States are subject to inspection by the CBP (19 CFR Section 162.6) and the CBP has authority to exclude, detain and seize counterfeit goods at any port of entry into the United States. Over the past several years, the CBP has reported significant increases in the number of seizures performed per year. In 2019 and 2020, it reported the first decreases in the number of seizures since 2014; however, the overall seizure numbers remain high, with 26,503 seizures representing a monetary value of over \$1.3 billion in 2020.

The CBP relies on information provided by trademark owners to identify counterfeit goods and it maintains its own searchable, online database of recorded IP rights for this purpose. Trademark owners may record their US trademark registrations with the CBP using the agency's Intellectual Property Rights e-Recordation system. The cost to record a trademark is \$190 per class of goods for the full term of the underlying registration. Beyond this recordation, trademark owners may also provide the CBP with additional information and materials to assist in identifying counterfeits. Rights holders frequently provide product identification guides (eg, listings such as hallmarks authenticating the product, common indicators of counterfeit products, authorised licensees and importers, known counterfeiters and contact information for the rights holder) and conduct in-person product trainings for

CBP personnel. Rights holders may also provide information about suspected infringers through the CBP's e-allegation tool.

On identifying suspected counterfeit goods at a US port of entry, the CBP may detain the goods and, at its discretion, provide certain limited information (including the import date, the port of entry, the country of origin, the description of the goods and their quantity as provided in entry documentation, and redacted images of the goods) to the trademark owner, to assist the CBP in its determination.

The CBP will inform the importer (and the trademark owner, if not already notified) of the detention within five business days, after which the importer has seven business days to provide proof that the goods are not counterfeit. If the importer does not respond or provides insufficient proof that the goods are not counterfeit, the CBP may release additional information, including unredacted images of the goods, to the trademark owner (19 CFR Section 133.21). Because it can be very difficult for the trademark owner to determine the authenticity of the goods from limited information and redacted images (which conceal identifying information such as universal product codes, serial numbers and names and addresses of the manufacturer, importer and exporter), the CBP's ability to release unredacted images to the trademark owner before expiry of the seven-day waiting period is a hotly contested issue. Because agency guidance on this issue is in a state of flux, trademark owners have reported widely disparate experiences with CBP officers' willingness to disclose information and the timing of such disclosures.

If the CBP determines that the detained goods are counterfeit, the goods will then be seized and forfeited. The CBP may also impose a civil monetary penalty against the importer.

### **INTERNATIONAL TRADE COMMISSION**

The CBP also enforces exclusion orders issued by the US International Trade Commission (ITC), a quasi-judicial federal agency staffed by administrative law judges. A US trademark owner may seek an exclusion order from the ITC under Section 337 of the Tariff Act 1930 (19 USC Section 1337) and the ITC will conduct a '337 investigation' into the trademark owner's allegations of illegal import of counterfeit goods into the United States.

With a few key differences, 337 investigations function very similarly to federal court proceedings. Although an ITC complaint can be based on both registered and unregistered (common law) trademark rights, only a company with sufficient domestic industry activity may avail itself of the protections of the ITC. Further, unlike federal court proceedings, the ITC's jurisdiction is not personal to the accused infringer, so the resulting exclusion order may apply to all infringing imports entering the United States, regardless of the importer's identity. Both the trademark owner and the accused infringer participate in the proceedings as they would in federal litigation, and the ITC also appoints an investigating attorney to represent the public interest. If the ITC finds a violation of Section 337, it may issue prospective injunctive relief in the form of an exclusion order barring further importation of infringing goods, and/or a cease and desist order against respondents with commercially significant US operations or infringing inventory inside the United States. The ITC lacks authority to award monetary damages; however, it may impose fines of a minimum of \$100,000 per day for each day that an entity violates an ITC cease and desist order.

ITC exclusion orders are enforced by the CBP and may be applied to infringing imports of specific respondents (limited exclusion orders) or to all infringing imports regardless of

source (general exclusion orders). Cease and desist orders are enforced by the ITC and, if necessary, through federal litigation initiated by the ITC.

### **CRIMINAL PROSECUTION**

Counterfeiters may be subject to criminal prosecution by state or federal law enforcement agencies (18 USC Section 2320), which provide various criminal penalties for the intentional trafficking of counterfeit goods. For an individual, the standard penalties include up to 10 years' imprisonment and a fine of up to \$2 million for a first-time offender and up to 20 years' imprisonment and a fine of up to \$5 million for a repeat offender. Corporations and other entities may be fined up to \$5 million (for first-time offences) or \$15 million (for repeat offences). The prosecution may seek enhanced penalties, including the possibility of life imprisonment, where a defendant recklessly or knowingly causes or attempts to cause serious bodily harm or death in connection with the act of counterfeiting or in cases involving counterfeit military goods or services or counterfeit drugs.

In addition to these penalties, convicted counterfeiters are also ordered to pay restitution to their victims, including the trademark owners (however, the restitution amount is often less than a trademark owner would receive in a civil action against the counterfeiter). Further, the counterfeit goods at issue, along with any equipment, storage facilities, vehicles or other property used in the commission of the crime, and any proceeds derived from the crime, will be subject to forfeiture to the government and possible destruction on a successful conviction.

Law enforcement authorities rely on reports and other cooperation from trademark owners in their investigations and prosecutions of counterfeiters. A successful criminal prosecution typically requires evidence and testimony from the trademark owner, to prove the validity of the trademark rights at issue and the lack of authorisation for the defendant's use of those trademarks.

### **CIVIL ENFORCEMENT**

Because trademark owners have little control over the timing and other aspects of criminal anti-counterfeiting enforcement, many trademark owners prefer to seek relief through civil litigation in addition, or as an alternative, to criminal prosecution. In a civil case for damages, the trademark owner elects either a jury trial or a bench (non-jury) trial. Juries typically award higher damages, but a trademark owner may prefer bench trials in cases with complex issues or facts.

### **PRIVATE INVESTIGATIONS**

The first step in a civil case is typically a private investigation initiated by the trademark owner. This often involves arranging investigative purchases of the suspected counterfeit goods, collecting product samples and other evidence, confirming that the goods are in fact counterfeit, and identifying potential defendants. The trademark owner may use evidence gathered during this investigation to support a request for certain types of emergency relief, including a temporary restraining order, an asset freeze or a preliminary injunction.

### **CIVIL SEIZURES**

In civil counterfeiting cases, a trademark owner may seek an ex parte seizure order. The trademark owner requests an ex parte seizure order on commencement of the suit, to prevent the defendants from concealing, destroying or otherwise disposing of the counterfeit

goods, the instrumentalities used to make them, and records of the counterfeiting activities (15 USC Section 1116(d)). Civil seizure is a highly sought-after remedy in counterfeiting cases because, if granted, it immediately removes the counterfeit goods from the market, preserves the evidence of counterfeiting, and can allow for a more accurate determination of damages. Because ex parte seizure orders are granted without prior notice to the defendant, the trademark owner must first provide adequate security to the court in the event of a wrongful seizure and prove that:

- an ex parte seizure order is the only adequate remedy;
- the trademark owner has not publicised the seizure;
- the trademark owner is likely to succeed on the merits of its counterfeiting claim;
- the trademark owner will suffer immediate and irreparable injury if seizure is not ordered;
- the harm to the trademark owner outweighs any legitimate interests to the defendant whose goods will be seized;
- the goods to be seized are located at the identified location; and
- the defendant would destroy, move or hide the goods if given advance notice of the seizure.

A trademark owner's civil seizure request should be supported by affidavits with facts from the investigation. While seizure orders are relatively common throughout the United States, some district courts are more receptive to granting such requests than others.

### **MONETARY RELIEF**

Under federal law, a trademark owner may seek actual damages or an accounting of the defendant's profits, as well as attorneys' fees. For intentional acts of counterfeiting, the court will – absent extenuating circumstances – award treble damages (three times the award of base profits or damages, whichever is greater), along with reasonable attorneys' fees.

Because evidence of actual sales or profits is often difficult, if not impossible, to obtain in counterfeiting cases, federal law permits trademark owners to elect statutory damages in lieu of actual damages. These statutory damages range from \$1,000 to \$200,000 per type of good on which each counterfeit mark is used, or up to \$2 million per type of good for wilful counterfeiting.

### **ANTI-COUNTERFEITING ONLINE**

The increasing availability of counterfeit goods online presents a complex environment for enforcement, requiring a flexible, multi-dimensional approach. Because counterfeiters are typically located outside the United States and hide their true identities to consumers online, no US legal strategy is by itself sufficient to address their activity. Trademark owners must employ a variety of tools to effectively combat counterfeiters online.

### **US LITIGATION TOOLS**

Even where a counterfeiter is located outside the United States, certain US litigation tools may be available to address US-based aspects of the case. For example, if the counterfeiter is using a US-based intermediary (eg, a payment processor, financial institution, internet service

provider (ISP), e-commerce site or domain registrar), a US court may exercise jurisdiction over these activities (including by freezing any US-based accounts).

US civil procedure also permits trademark owners to pursue legal action against counterfeiters whose identities are unknown, naming these entities 'John Doe' defendants in a suit. This allows the trademark owner to conduct discovery to uncover the counterfeiter's identity. This discovery can include third-party intermediaries with whom the counterfeiter has engaged (eg, ISPs, domain registrars and shipping companies). Further, a trademark owner may prove a counterfeiter's identity, and/or connect a counterfeiter's activities across multiple platforms, using circumstantial evidence (eg, the use of one username on various e-commerce sites and other counterfeit sales patterns).

Third parties who knowingly facilitate the sale of counterfeit goods (or are wilfully blind to such activities) may be subject to contributory liability under US law. This threat of contributory liability, in combination with the safe harbours described below, provides a strong incentive for online intermediaries to take appropriate action in response to rights holders' reports of counterfeit activity in a timely fashion and before a lawsuit is filed.

### **SAFE HARBOURS FOR ONLINE INTERMEDIARIES**

US trademark case law and the Digital Millennium Copyright Act (DMCA) each provide a safe harbour shielding certain online intermediaries whose facilities are used by infringers from contributory liability, where those intermediaries follow a notice-and-takedown procedure for addressing rights holders' infringement reports. ISPs and e-commerce sites with significant US contacts will usually remove infringing content on receipt of a rights holder's infringement report in order to benefit from these safe harbours. The safe harbours do not apply where the intermediary participates directly in the counterfeiting activity or is aware of the activity but chooses to ignore it.

The intermediary's notice-and-takedown mechanisms may provide only temporary relief – if an accused infringer chooses to submit a counter-notification objecting to the intermediary's removal of the infringing materials, the intermediary may reinstate the removed materials unless a lawsuit is filed. Also, a successful takedown will result in removal of the infringing content from a website, but the infringer can easily switch to a new ISP or create a new website.

The DMCA also provides a special type of subpoena that can help rights holders learn the identities of counterfeiters operating online. Specifically, the DMCA allows a copyright owner to serve a subpoena on an ISP for "information sufficient to identify the alleged infringer" from the ISP's business records (17 USC Section 512(h)). The subpoena may be served on the ISP at the same time as the takedown notice. The copyright owner must submit a request to the court that contains:

- a copy of the DMCA notice;
- a proposed subpoena; and
- a sworn declaration that the purpose of the subpoena is to uncover the counterfeiter's identity and will be used only to that end.

Provided the request meets the DMCA's requirements, a court will issue the subpoena without requiring that the copyright owner file an actual complaint. The subpoena must be

processed by the clerk of court in the district court where the ISP is located. It is available only in counterfeit cases involving infringement of the trademark owner's copyrighted materials.

### **DOMAIN NAME REMEDIES**

Where a counterfeiter is selling counterfeit goods on a rogue website with an infringing domain name, the trademark owner may seek transfer or cancellation of the domain name through litigation (relying on US law) or arbitration proceedings (relying on the UDRP or similar mechanisms). Domain names may also be seized by US law enforcement in criminal enforcement initiatives such as the National Intellectual Property Rights Coordination Centre's Operation in Our Sites.

### **INTERMEDIARY TERMS OF SERVICE**

Trademark owners may seek voluntary cooperation from online intermediaries without resorting to litigation. After receiving a trademark owner's report of counterfeit activity, some intermediaries will voluntarily terminate services to the counterfeiter based on violations of their terms of service agreements (which typically prohibit the use of intermediary services for illegal activities). For example, a trademark owner may report a counterfeiter to the credit card companies and payment processors advertised on the counterfeiter's website, and those intermediaries may elect to terminate the counterfeiter's merchant accounts, so that the counterfeiter can no longer process payments for its sales. These payment intermediaries may also assess heavy fines for the counterfeiter's violations of the terms of service. This enforcement method is particularly effective, for example, where the counterfeiter operates a large network of rogue websites, but processes payment through only a few merchant accounts, as merchant accounts tend to be much more valuable to a counterfeiter than its individual websites and domain names.

### **IMPACT OF INFORM CUSTOMERS ACT OF 2023 ON DISCLOSURE OF COUNTERFEIT SELLER INFORMATION**

The Integrity, Notification and Fairness in Online Retail Marketplaces for Consumers Act (INFORM Consumers Act), signed into law as part of the Consolidated Appropriations Act of 2023, requires online marketplaces to collect, verify and disclose certain identifying information from high-volume third-party sellers (sellers with more than 200 transactions and \$5,000 in revenues in a 12-month period) to consumers. This information includes seller name, bank account number, tax identification number, working email address and phone number, and government-issued ID for the seller's representative (individual sellers) or government-issued record or tax document including the entity name/physical address (entity sellers). The INFORM Consumers Act does not provide rights holders with any enforcement tools for requiring disclosure or rights of action to sue online marketplaces or high-volume sellers for non-compliance. Nevertheless, seller information will likely be more readily available and reliable following its implementation.

### **PREVENTATIVE MEASURES AND STRATEGIES**

An effective, multi-dimensional approach to anti-counterfeiting includes certain preventative measures. First, the trademark owner should register key trademarks and copyrights (eg, for product packaging) with the USPTO and the US Copyright Office, respectively. These trademarks and copyrights should also be recorded with the CBP.

Trademark owners should also:

- monitor (or employ a vendor to monitor) key online marketplaces and platforms, as well as at-risk bricks-and-mortar locations, for suspected counterfeit products;
- establish and maintain contacts with key law enforcement offices and personnel (eg, the relevant CBP Centre of Excellence for the trademark owner's industry, the National IPR Centre and the White House Intellectual Property Enforcement Coordinator);
- provide product identification guides to the CBP and regularly update these materials;
- offer in-person training and other support to the CBP and other key law enforcement agencies;
- connect with other rights holders and rights holders' organisations to collaborate in law enforcement trainings and criminal raids;
- implement appropriate packaging and product features to assist in product authentication, and consider employing track-and-trace technology to monitor the legitimate supply chain; and
- foster relationships with legitimate suppliers, distributors and consumers to support anti-counterfeiting objectives.

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