



Anti-counterfeiting and Online Brand Enforcement: Global Guide

2024

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Now in its 17th year, the Anti-counterfeiting and Online Brand Enforcement: Global Guide 2024 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 counterfeiters and build effective programmes to keep the fakes at bay.

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Global collaboration vital in the fight against counterfeiting

Phil Lewis

Anti-Counterfeiting Group

Summary

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The past 10 years have seen many expert reports and studies about counterfeiting, its causes and its global impact. The most widely accepted studies have been produced by the Organisation for Economic Cooperation and Development (OECD), in conjunction with the European Intellectual Property Office's (EUIPO) Observatory on Infringements of Intellectual Property Rights.^[1] The US Patent and Trade Mark Office (USPTO) has also been responsible for producing groundbreaking data.

In Europe, the OECD and EUIPO have published studies that have not only given us a better understanding of the global counterfeiting phenomenon^[2] but have also provided sectoral work to identify intricacies and issues in specific business subdivisions,^[3] as well as key indicators from EU-wide surveys to determine consumer perceptions and behaviours regarding intellectual property (IP) and the general appetite for fake goods.^[4]

The most recent joint report on the overall scope and scale of IP crime estimated that the volume of international trade in counterfeit and pirated products amounted to a staggering \$464 billion, or 2.5% of world trade. Globally, the OECD places counterfeiting as being as large as the GDPs of countries such as Austria and Belgium.

Clearly, counterfeiting has a huge effect on the public purse and our prized job-providing companies in terms of sales and losses of jobs. A pre-COVID OECD-UK Intellectual Property Office study^[5] (currently being updated) emphasised that over 86,000 jobs may be lost because of the trade in fakes.

THE CONSEQUENCES OF COUNTERFEITING

Counterfeiting has major consequences for the stability of our economies and public services, as we spend more and more effort dealing with associated crimes and increasing dangers to consumers and their families from unsafe fake products. A simple view of the latest EU Customs report on seizures of counterfeit goods reveals that 30% have the potential to endanger consumers.

Further research by the OECD and EUIPO titled 'Dangerous Fakes: The Trade in Counterfeit Goods that Pose Health, Safety and Environmental Risks'^[6] quantitatively assessed the scope and trends of threats generated by counterfeit goods, to health, safety and the environment.

The report categorised the most frequent risks posed by counterfeit products as follows:

Product (HS) Code	Most Frequent Risk
Foodstuffs (02 - 21)	Microbiological chemical
Pharmaceutical products (30)	Microbiological chemical
Perfumery and cosmetics (33)	Chemical microbiological
Soap (34)	Microbiological chemical
Clothing, knitted or crotched (61)	Injuries, Strangulation, Chemical, Choking
Other made - up articles (63)	Injuries, Strangulation, Chemical, Choking
Jewellery (71)	Chemical

Electrical machinery and electronics (85)	Electric shock, Fire, Environment, Burns
Watches 91	Chemical
Toys and games (95)	Chemical, Choking, Injuries, Environment, damage to hearing, burns, strangulation
Vehicle parts (87)	Injuries, Fire

The report details specific health and safety threats posed by certain counterfeit products. These include:

- Jewellery and watches, which contain toxic substances such as lead, cadmium, PVC and other plastics.
- Clothing, including children’s clothing, which contains toxic materials and is made in a way that poses risks of choking and fire.
- Homeware, such as cushions made from extremely toxic material containing dyes which release aromatic amine benzidine, which when in direct and prolonged contact with the skin can be absorbed and cause cancer cell mutations and affect reproduction.
- Toys made with substandard products that contain phthalates, a chemical that can damage the liver, kidneys, lungs and reproductive system. Additionally, counterfeit toys can pose choking hazards, from parts not securely attached, including magnetic components, which once ingested can cause significant intestinal damage.
- Alcohol, found to contain illegally high levels of ingredients and toxic chemicals such as methanol, formic acid, isopropanol, acetone, fusel alcohols, bio-solvents, aflatoxins, hydrocyanic acid (a highly poisonous product), cyanide derivatives, heavy metal contamination (with lead, arsenic or cadmium) and elevated levels of acetaldehyde.
- Cosmetics and personal care products: further reports found Diethylene Glycol in toothpaste, which is particularly toxic to young children, and copper, mercury, arsenic and carcinogenic FAL-LATE chemicals in cosmetics, which can cause skin reactions and poisoning, and have been linked to hormonal disruption.

THE COUNTERFEITING LINK TO ORGANISED CRIME

From a panoptic crime view, broad expert analyses and commentaries signpost what is driving this worldwide crime wave. Almost all provide increasing and growing evidence that product counterfeiting supports wide-ranging and expansive illicit trade activities that are continually attacking society and security across the world.

There is little doubt nowadays that the intercontinental trade in counterfeit goods acts as a ‘seed funding’ venture for organised crime networks that are often involved in some or all forms of illicit trade, including people trafficking, drugs, weapons, forced labour, money laundering, environmental crimes, personal fraud, identity theft and money laundering.

THE IMPORTANCE OF OPERATION VULCAN

Operation Vulcan, led by Greater Manchester Police (GMP) in the UK over the past year, involved an operation that brought together a range of other enforcement authorities, the Anti-Counterfeiting Group and international businesses. Operation Vulcan revealed many of the 'poly-criminal' threats mentioned above^[7], as well as prostitution, violent crime and vehicle theft.

Whilst tackling the counterfeit trade in the Greater Manchester area had been a large part of the planned work, GMP was also fully aware of the even greater need to fight the serious organised criminality embedded in the area. The results of Vulcan and other major UK operations have thrown a different light on IP crime and offered a contrary view to long-accepted perceptions that organised crime and illicit trade only operate in silos. It is now clear that previous misconceptions had, in many ways, prompted a siloed approach to combating these crimes. This approach suited the way we had set ourselves up, in international enforcement, to combat these forms of transnational criminalities.

However, recent evidence has shown that this is not the way our enemies think. Their main preoccupation is simply profit and wealth. There is no deeper aim other than to use as many forms of illicit trade as possible, often in cross-combinations, to fund and serve their repugnant ends. Simply put, cross-border channels, expertise and money used and derived from one facet of crime simply fund lifestyles and other criminal opportunities.

COUNTERFEITING: THE SILENT BANKER TO ILLICIT TRADE

We have now developed and built our understanding that transnational crimes have many originators, and it is not always helpful to think of them as being singularly nationalistic. Whilst numerous forms of illicit trade have indeed been found to be driven by Chinese cartels, they have clearly and undoubtedly favoured IP theft and counterfeiting – as shown by international enforcement agencies such as Interpol, Europol and the United Nations Institute on Interregional Crime.

The most recent OECD-EUIPO joint study signalled the fact that China and Hong Kong are the top provenance economies for counterfeit goods, with over 80% of goods seized at Europe's borders originating from those markets. By anyone's calculations, this is an oversized role.

However, there is a grave danger in focusing on who is to blame rather than solving the problem. Counterfeiting – the 'silent crime' – has grown to the levels it is at today for numerous reasons. We would all recognise these: globalisation, the Internet, innovative manufacturing technologies, blockchain and crypto, the unprecedented growth in black markets, and of course transnational organised crime. But it is the desire and capacity to penetrate and use legal structures to enable the reinvestment of money that gives real concern. Cash remains a vital enabler in the 'reinvestment breach' to make more money from illicit trade. What is the result?

The Brandenburg Institute for Society and Security reports that illicit trade from official economic statistics and national accounting approaches is estimated to deprive the global economy of €1.96tn each year – accounting for almost 3% of global GDP.^[8] Beneath this, global counterfeiting provides a critical 'foundation slab' of money.

In the fight back, some expert views are that we probably lack a global set of modern enforcement models and regulations to fight this challenge. This is probably true, but the sad fact is that some forms of illicit trade, such as counterfeiting, are simply tolerated in many countries. Furthermore, it is probably true that too many governments across the world see

counterfeiting as a lesser evil. As a result, it has become the perfect shelter from which to provide seed funding for wider illicit trade and fraud. In fact, counterfeiting is an indispensable enabler, providing vast amounts of unaccountable cash.

In simple terms, counterfeiters drive the growth in international illicit trade by propelling massive wealth towards transcontinental crime networks that threaten development, security and global financial stability, in a world where the UN Trade and Development organisation (UNCTAD) has described a rapid growth in illicit trade. Trade councils, business associations and think tanks quantify its annual size as between \$650 billion and nearly \$3 trillion.

The bad news is that this is likely to continue unless there is a multilateral and multidimensional fight back. We are already witnessing the relocation of manufacturing and transshipment in the counterfeiting arena. If nothing else, counterfeiters are enterprising, innovative, nimble, relentless and analytic. If a country is considered to be less condemning of counterfeiting, with less developed protection and enforcement structures, the counterfeiters will move in and in some cases become a major employer. This gives them influence and the power to make use of legal systems and structures to further their aims and capabilities.

COLLABORATION IS KEY

What is clear is that we need to be equally innovative, analytical and persistent. However, we cannot achieve successful results by simply closing the door on international crime and hoping it will go away. No single authority or agency is going to crack this on its own.

The good news is that we are part of a global network and we have already started to build a greater understanding of the phenomenon and problems we face through the studies of the OECD, the USPTO, UNICRI and the EUIPO. These have provided impressive foundation stones, as have the actions taken by national and international enforcement-related authorities. But all this knowledge and analysis needs to be better harnessed, integrated and brought together to provide a capability to evaluate current and future risks and threats. Then we will have the capacity to promote international cooperation and collaboration, to better prevent and nullify global criminal networks.

ACG's role in this is to help build and maintain intelligence and information to foster international alliances and ultimately drive more effective and sustainable strategies, regulation and enforcement. We are a major contributor to the UK Intellectual Property Office's enforcement and international trade teams, all UK enforcement authorities, the OECD, the EUIPO, the World Customs Organisation, Europol, Interpol, UNICRI and the Global Anti-Counterfeiting Network. The list goes on. But more partnerships are needed.

Our guiding aims and functions are to jointly protect businesses and consumers by:

- raising levels of awareness of the threats and unifying and supporting enforcement and policy-makers through actionable intelligence; and
- building greater expertise and compelling intelligence-based narratives to drive more understanding and more effective evidence-based policy decisions and actions.

At ACG we recognise that a structure to enable the UK to continuously share information, best practices and intelligence with international partners is more crucial than ever. This is

why we place such emphasis on training, events, media outreach, international partnerships and our international conference.

We are all part of a global network, but this needs to be nurtured, fed and informed, and this has to be our international collective priority. Managing and not preventing is no longer adequate to fighting a global challenge that is destabilising international structures and norms. The call is to further develop our efforts to support the weakest links and build a pathway for real international, inter-agency collaborations based on shared public-private intelligence and expertise.

ENDNOTES

[1] <https://www.euipo.europa.eu/en/observatory/publications>.

[2] <https://www.euipo.europa.eu/en/publications/illicit-trade-global-trade-in-fakes-a-worrying-threat>.

[3] <https://www.euipo.europa.eu/en/publications/clothing-cosmetics-and-toy-sectors-in-the-eu-2024>.

[4] <https://www.euipo.europa.eu/en/publications/appetite-for-fakes-what-drives-consumers-choice>.

[5] <https://www.oecd.org/gov/risk/trade-in-counterfeit-products-and-uk-economy-report-update-2019.pdf>.

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[7] <https://www.gmp.police.uk/news/greater-manchester/news/news/2023/november/operation-vulcan--12-months-on/>.

[8] https://www.bigs-potsdam.org/app/uploads/2022/04/BIGS_Policy_Paper_9_WEB.pdf.



Phil Lewis

admin@a-cg.com

PO Box 578, High Wycombe HP11 1YD, United Kingdom

Tel: +44 1494 449 165

<https://www.a-cg.org/>

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Evolving online route-to-market strategies and how to combat them

Davide Luigi Petraz and Daniele Giovanni Petraz

GLP Intellectual Property Office

Summary

THE EVOLUTION OF THE DIGITAL MARKET AND ONLINE COUNTERFEITING

THE NEW STRATEGIES ADOPTED BY 'BAD ACTORS'

THE ADVENT OF NEW TECHNOLOGIES AND NEW FRONTIERS IN THE FIGHT AGAINST COUNTERFEITING

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THE EVOLUTION OF THE DIGITAL MARKET AND ONLINE COUNTERFEITING

The online marketplace has made distributing products and services more efficient, exponentially increasing business transactions globally. It has become the cornerstone of supply to the end consumer.

While the continuous evolution of information technologies and the multiplication of e-commerce platforms have significantly increased the distribution channels of individual companies and redefined the concept of territoriality, they have also created new cases of infringement and counterfeiting of IP titles of ownership of international brands.

The online marketplace has allowed the counterfeit industry to increase its production chain, threatening and limiting authorised distribution channels. This phenomenon, which does not only affect the fashion, luxury goods and digitised intellectual works sectors, produces great damage both for rights holders and for the safety of the end consumer (think, for example, of the sale of products such as drugs and spare parts that do not comply with the quality standards and certifications provided at the European and international level).

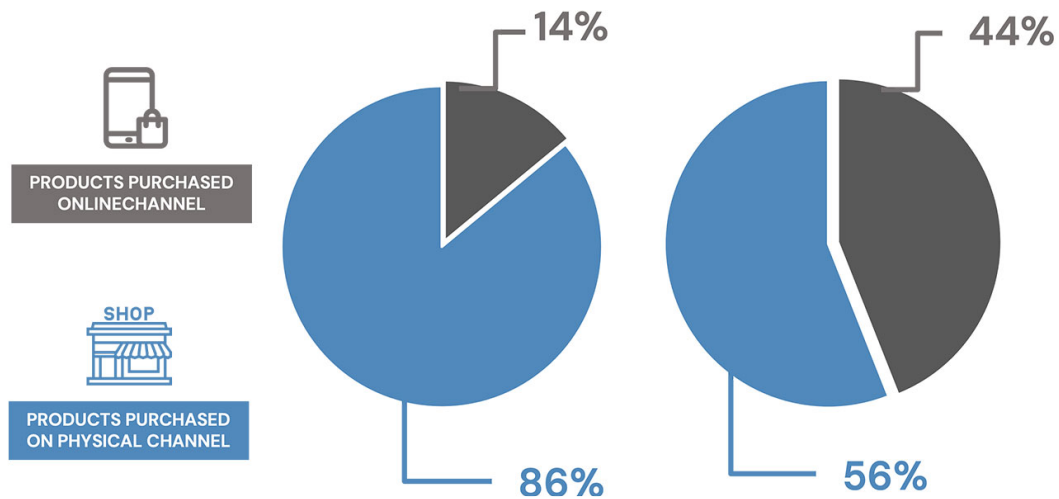
The advent of Web 3.0 (also known as the Metaverse), the spread of NFTs and the widespread use of AI have allowed users themselves to directly produce and make works and products (digital and otherwise), further jeopardising the proprietary rights of companies.

No less important, social networks have revolutionised users' use of the web, significantly influencing their habits of purchasing and disseminating content while at the same time generating new instances of infringement and misuse of others' rights in the digital world. This has given rise to new terms and professional figures who play a primary role in online business dynamics. For examples, think only of the fake news (and the reputational damage it causes), violations of copyright and other illicit activities conducted by influencers and bloggers.

Counterfeiting and piracy represent major challenges in today's innovation-driven global economy. Intellectual property generates value for businesses and economies, and the effective protection and enforcement of IP rights, in general, helps promote innovation and economic growth in states.^[1]

Illegal practices such as piracy and counterfeiting generate negative effects on the sales and profits of the companies involved, as well as negative economic, health and safety consequences for governments, businesses and consumers. Moreover, it has been observed that organised crime groups play an increasingly important role in these activities, benefiting significantly from these profitable operations.

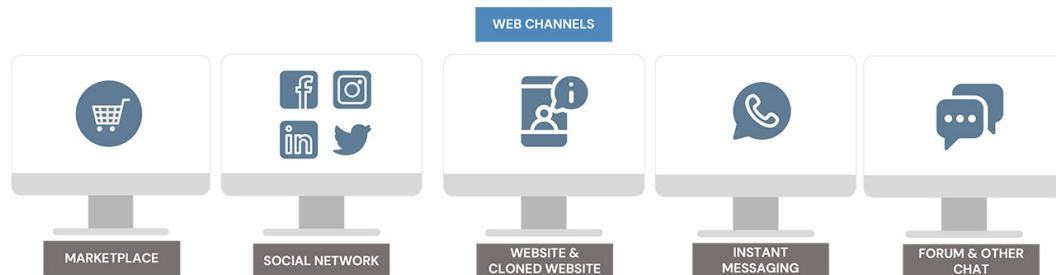
As noted in the FATA project, a recent report by the Organisation for Economic Cooperation and Development (OECD)^[2] and the European Union Intellectual Property Office (EUIPO) on the trafficking of counterfeit goods related to e-commerce purchases, based on seizures conducted by customs authorities in EU member states, shows that 56% of counterfeit goods seized in the European Union in 2017–2019 were attributable to products sold online. However, in terms of economic value, only 14% of counterfeit goods were attributable to online channels. This is also compounded by the fact that 11% of the conversations identified on social networks that concern physical products refer to 'fake' items.



Distribution of value and number of seizures of counterfeit products purchased online and on physical channels

THE NEW STRATEGIES ADOPTED BY 'BAD ACTORS'

Counterfeiters use various online channels in an interconnected manner, both to advertise and sell counterfeit products, and to commit other crimes at the same time. Among the main channels that FATA's research has delved into are: social networks; fraudulent sites (eg, clone sites made through cybersquatting – that is, the speculative registration of an Internet domain name corresponding to someone else's brand name or that of a famous person – and/or typo-squatting, a form of cybercrime in which hackers register domains with deliberately misspelt names of known websites); marketplaces; instant messaging applications; web-forums and chats (eg, video game chats).



Ministero dell'Interno and Crime&tech-Università Cattolica del Sacro Cuore, 2022

When actors with rather ambiguous aims, such as organised crime groups who have brokers or influencers on their side, act on the aforementioned channels, the conditions are created for the emergence of a criminal ecosystem, characterised by multiple interconnected digital crimes (fraudster journey). The FATA study describes these as follows:

- sale of 'fakes,' through the channels and methods outlined above;
- identity theft of consumers and sellers, including payment method data, such as through e-skimming techniques (a hacking technique that steals information uploaded by customers on online shopping sites) on 'clone' sites or phishing (a social engineering attack that aims to make users believe that the email they receive is from a trusted institution);
- dissemination of malicious software through fraudulent marketplaces or clone sites, and always aimed at identity theft or extortion purposes (ransomware);
- fraud in payment services, using stolen identifiers or previously cloned cards; and

- fraudulent returns, following online purchases, involving, for example, the return of counterfeit versions instead of the original products.

That being said, it is appropriate to examine individually some current illicit practices, or those that have evolved most over the years, which, through the detour of web traffic by means of direct and/or indirect hyperlinks to the navigation page, aim to damage and/or infringe the rights of intellectual property rights holders – for example spamming, linking, framing and meta-tagging.

Spamming is defined as the practice of sending the same message to a large number of users at the same time, via either email or newsgroup. Regardless of its content, the message will be considered spam if it is sent to a plurality of subjects and if it has not been solicited by the recipients.

With regard to the issue at hand, it should be noted that spamming takes on a certain significance in the context of marketing counterfeit goods. Moreover, such activities not only advertise fake products but often cause detriment to the trade name and prestige of the company that is the victim of such offenses.^[3]

Linking is the use of hyperlinks from one web page to another. It can take one of two forms: (1) surface linking, which occurs when the link is set up to allow linking from the source site to the homepage of the target site; and (2) deep linking, which occurs when the link transfers the user from the source site directly to the interior of the linked site. These activities are not illegal in themselves, although the use of someone else's trademark in a link will only be permitted for the purpose of referring to the site of the trademark owner and/or to indicate the Internet sites where it is possible to purchase products with that particular trademark, placed on the market directly by the owner and/or with the consent of the latter, without any likelihood of confusion arising from this.

Framing is a special form of linking through which the user, upon first accessing a web page, will be given access to a second page outside the first site. However, unlike in linking, the called-up web page will be displayed within the frame of the first site, so that users will continue to view the advertisements on the same page.

Meta-tags are special HTML tags used by search engine software to index web pages. They are invisible to users in the final layout of the web page being consulted. However, they can be extracted by viewing the site's HTML source code.

Among the illicit conducts that have emerged in recent years and are most widely used by counterfeiters, the following also deserve mention:

- Drop shipping: this is a business model characterised by the presence of a retailer who does not physically hold the product but rather buys it from a third party (the drop shipper), directly shipping it only upon receipt of the order from the user. The 'digital' nature of such a business model and the speed with which fake websites and social profiles can now be created, has allowed the counterfeit industry to set up various scams and frauds, and to create distribution channels for counterfeit products. Drop shipping gives counterfeiters numerous economic advantages and faster sales timelines, since they do not need sophisticated logistics strategies, nor have to engage in the assembly, production or packaging of goods. This makes it complicated to track and crack down on their illicit activities.

- Fast fashion: this is also a widely used business model, especially by some of the major brands in the luxury fashion sector. It is concerned with optimising supply chains due to seasonal fashion trends, producing product lines quickly and economically and enabling the end user to purchase products at lower prices. Although this strategy originated in the mid-2000s, the last five years have seen an increasing use of it even by some of the leading online platforms (among which Temu and Shein deserve mention). These have achieved important results – both in terms of turnover and territorial expansion – bringing this business system to a higher level that is today referred to as ‘turbo-fashion’. It is quite clear, for the reasons highlighted above around drop shipping, that this business model is also widely used by the fake industry, due to the optimisation of production costs (of fake garments) and the limited time frame that characterises the sale of products.
- Dupe economy: a further and recent phenomenon of physical and digital commerce (created as an evolution of the business models just examined) is so-called dupe culture. This leveraging younger generations, who love to flaunt symbols of luxury (clothes, perfumes, accessories and cosmetics) and – with the help of social media and influencers – market products that emulate the style, color and packaging of their originals. This strategy echoes the dynamics employed in the past for ‘copyright fakes’ (or ‘equivalencies’) but is more persuasive since it is put in place, in most cases, by well-known influencers who make a comparison to the original product and/or refer explicitly to the distinctive signs that identify the latter. While this practice is not in itself illegal, it is used by the counterfeit industry to devise items that present similar but different visual elements (in terms of product and packaging) from the original product.

The counterfeit industry is constantly updating with respect to these developments and commercial dynamics. At the same time, it has full knowledge of the gaps in national and supranational regulations, as well as their non-uniformity. It is also able to circumvent the policies of most IP rights protection platforms present in the main online marketplaces. In addition, counterfeiters make precise choices in terms of distribution strategy and defining the individual digital content to be put online, attempting to circumvent the control and monitoring technologies used by brands and/or offered by third parties in the field of online brand protection.

The availability of technology and the large number of digital platforms currently present online allows counterfeiters to carry out real misdirection initiatives, enabling them to conceal the real production site and the main distribution channels used. The result is that, although the monitoring and takedown initiatives performed by brands (or those on their behalf) allow some critical online issues to be removed, these represent merely the tip of the iceberg in terms of of the criminal organisation, which accepts such removals as they are arranged ad hoc to deflect the online protection investigations performed by IP rights holders.

A lack of uniformity between the policies provided by individual online platforms and between legal systems, as well as knowledge of the infringement monitoring and detection software currently used by brands, allows the counterfeit industry to devise specific content that can circumvent such protection tools or direct them to their liking. This content can then be published on platforms on which the owner does not boast any IP title to act, or at least does not possess all the types of registrations provided for that individual platform.

In light of the above considerations and because of the constant technological development, the counterfeit industry should probably no longer be combated on a large scale – through the blackout of numerous, but disconnected, online sales listings, for example. Instead, a targeted and circumscribed strategy should be put in place, using the instrumentation offered by online brand protection, in order to prepare an enforcement and anti-counterfeiting strategy that can target the actual production site.

THE ADVENT OF NEW TECHNOLOGIES AND NEW FRONTIERS IN THE FIGHT AGAINST COUNTERFEITING

The rapid technological evolution of the last decade has presented new challenges to intellectual property, posing different interpretative and enforcement issues that respond to the protection and definition needs of the new digital scenarios.

This was recently addressed by the EUIPO, in its drafting of the Intellectual Property Infringement and Enforcement Tech Discussion Paper 2023.^[4] This addressed the potential implications and repercussions of the new technological realities on intellectual property rights.

Among some of the new scenarios to have emerged, mention must be made of artificial intelligence, which Section 27.3.1 of the paper addresses in relation to copyright. The use of AI has given rise to several innovations that directly impact the legal system and intellectual property, among which ChatGPT deserves mention for the media attention it has received.

Generative artificial intelligence has created important professional opportunities and, at the same time, has caused new regulatory gaps. These have required the intervention of the European Legislator, materialised in the so-called AI Act.^[5]

Among the critical issues that arise as a result of the use of a 'generative AI' system are those inherent in intellectual property rights, both in terms of input^[6] (in the implementation phase of the AI model, and output, that is, because of the work created through such technology.

Among the scenarios that intellectual property will continue to encounter, two digital trends that have characterised the last two years and that create several interpretative issues from a legal point of view deserve mention: the Metaverse and NFTs.

With the advent of the Metaverse and the creation of ad hoc platforms for the sale of NFTs, several fashion and non-fashion brands have implemented targeted marketing strategies, devising digital product collections. As was the case with the rapid spread of Internet 2.0 (which led consumers to make daily use of the numerous online marketplaces and e-commerce), some critical issues regarding counterfeiting and IP title infringement emerged immediately.

As examined above, the fake industry can make the best use of new technologies that develop over the years. One high-profile example is that involving the Japanese fashion house Uniqlo and the Chinese fast-fashion company Shein, before the Tokyo Court. The latter allegedly made use of an artificial intelligence algorithm capable of monitoring market trends and, consequently, putting in place the targeted production of replica products ('dupes') that significantly limited the authorised distribution channels of its Japanese counterpart.

Another phenomenon widely used by the counterfeit industry is the sale of non-genuine product through some influencers on major social media platforms ('dupe influencers'), who

knowingly or not promote counterfeit products or cheap replicas of original products that belong to major international brands.

Such 'commercial and advertising practice' can also have negative repercussions in terms of brand reputation, since such individuals (nowadays also artificially created through the help of artificial intelligence) also influence the market and end-user choices through the publication of fake news or false reviews.

As analysed in this chapter, the digital revolution, understood as a radical transformation of the social and economic structure of civil society, can no longer be defined and regulated on the basis of the traditional principles that have hitherto characterised and regulated the various legal institutions (person, civil liability, property, and business). The hope is that the new regulatory proposals, including the Digital Services Act (DSA) and the AI Act, can, with the help of previous and current European and international law, regulate all the new digital realities, provide the necessary tools to protect rights even in such parallel realities, strengthen the accountability and transparency of digital platforms, and anticipate and counter the spread of illegal content.

A PERSONAL LOOK INTO THE CURRENT LOOPHOLES IN THE EUROPEAN LEGAL SYSTEM, IN THE AREA OF THE ONLINE COUNTERFEITING

Although big changes have been made in recent years to raise awareness in the field of intellectual property protection, there are currently some discrepancies between large brands and small-to-medium-sized companies that do not arise exclusively from economic issues and the allocation of certain resources to the fight against counterfeiting.

The current scenario allows companies to make different approaches in managing the fight against counterfeiting and online brand protection. Some large international business entities have created an ad hoc department at the corporate level, to which they entrust the task of intellectual property protection and prevention activity (with the help of subordinates responsible for the anti-counterfeiting activity in specific geographic areas or individual countries, in the case of corporate entities with multiple locations and/or business interests worldwide). Such brand protection managers cooperate with internal Intellectual Property and Legal Affairs departments to define anti-counterfeiting strategies, such as managing allocated budget; managing company assets; coordinating with any third-party figures and/or competent authorities for enforcement and monitoring of the real and virtual market; and managing and registering trademarks, designs, patents and domains.

Meanwhile, other companies (or senior figures within them) believe that there may be positive effects to counterfeiting. These companies assume, usually erroneously, that the presence of a counterfeit product indicates a certain level of notoriety and trendiness, and that this phenomenon can even be connoted as a free tool of publicity and dissemination/dissemination at the international level of corporate products/services. This hypothesis is especially true of 'young' brands, which could exploit, according to the opinion under consideration and not shared, the media resonance of such non-genuine products through their exponential diffusion on international social media.

Such a position can also be found among some internationally renowned luxury brands, which surprisingly believe that a counterfeit product increases the perception of exclusivity of the genuine product, consequently raising the level of desire and adulation among consumers. These brands fail to understand (or deliberately avoiding doing so, for economic reasons) the seriousness of the negative consequences associated with the marketing of

non-genuine products in social, economic and health terms (as well as to the image and reputation of the brands themselves).

That being said, the exponential development of the digital market, the criticality of the protection tools in the field of intellectual property and the total inefficiency of certain intervention strategies (especially in the field of online brand protection) in certain territorial areas have all increased significantly. They bring to light several critical points in the overall system of online market protection, as well as its fragmentary nature.

Although discrepancies exist at the level of individual countries, due to the diversity of individual national legislations, it is believed that a great opportunity to remodel the legal system of protection of IP rights has been missed. This is encouraged by recent jurisprudential pronouncements and regulatory productions, among which the DSA and the Digital Markets Act (DMA) deserve mention. Such a remodelling would offer more incisive and effective tools to fight counterfeiting, starting precisely from the digital market, which is the main distribution channel for counterfeit products.

It is probable that the intent to equate the online market with the real market, in terms of the identification of infringements and their punishability, has led legislators to issue regulatory provisions that do not substantially deviate from the provisions of the previous legislation (eg, 'E-commerce' Directive 2000/31) and lose sight of the real connotations and peculiarities that differentiate the virtual market from the real market.

The transposition of some legal principles from the real market to the online market has led to the emergence of several conflicts between different jurisdictions involved in individual cases, as well as a limited interpretation and implementation of the concept of territoriality in the digital market. This has caused a profound crisis of this principle, since digital crimes are often characterised by their extraterritoriality, which underlines the obvious diversity and absolute non-uniformity of the protection regulations and the protection tools offered directly by the subjects (eg, ISPs) involved in counterfeiting or IP rights violations.

Although the DSA – which is the latest relevant and most recently enacted regulatory innovation – has accomplished an objective update of the previous body of law (among which the novelties on the subject of notice and takedown, and of the 'stay down' injunction instrumentation are both worth mentioning), it maintains some of the previous issues in the area of secondary liability of ISPs. This is despite the creation of a more regulated and controlling system operated by national authorities and the European commission. The Act also fails to regulate some digital services that are difficult to fit within the numerous clauses of the three traditional categories provided for ISPs themselves, that is, mere conduit, caching or hosting providers.

In order to understand the current critical issues in the system of combating online counterfeiting these considerations must be placed alongside the protection platforms and tools provided by service providers. These include, for example, those of the Alibaba Group and the Meta social networks. The initiatives taken by some of the major giants of online commerce, such as Amazon and eBay, also deserve mention.

Certain characteristics of such instruments should be highlighted that can make it complicated to execute appropriate protective initiatives. First and foremost, there is an absolute lack of procedural and usage uniformity of such platforms, even within the same membership group. During an infringement investigation and the subsequent online enforcement initiative, one often comes across clusters of infringements that are

however present in different online marketplaces. Although these may fall under the same organisation, they provide for different (and sometimes questionable) methodologies for filing takedown petitions that must in fact be for the same infringement, although based on different titles (eg, exclusively national). This subdivision assumes that certain online marketplaces are defined and considered 'local', able to ship the possible infringing product exclusively in the country of reference. This is opposed to online marketplaces, which are defined as international (present in the same corporate group); for these it is possible to proceed with a takedown petition based on European and/or international titles, since it is assumed that only these platforms are accessible by non-local users.

A further critical issue, identified in some of the protection platforms used by the most reputable ISPs, consists in the requirement to indicate the country for which the IP title being claimed is being protected. This must coincide with the country of residence indicated in the account holder of the infringing post, that is, with a datum arbitrarily provided by the unauthorised party (and most often without any basis and, therefore, untrue). This is despite the fact that the e-commerce or social media of reference is international and, therefore, allows the non-genuine product to be advertised and distributed outside the country itself.

Such evidence denotes the presence of the unproven belief that criticality is territorially limited. Such a belief indicates a limited view of the current distribution channels of counterfeit products and prevents the appropriate protective steps from being taken.

Among other discrepancies found during online anti-counterfeiting activities over the years is the absence, in some IP rights protection platforms, of the possibility to submit requests for removal based on IP titles not included in the catalogue of protectable rights. This makes any request for removal in this sense (eg, designs and models) impracticable. In addition, although there may be clear evidence of the existence of a cluster of different individuals and companies engaging in blatant illegal conduct, requiring the immediate removal of all sales advertisements present online and traceable to the same individuals, these limitations make it impossible to perform a complete cleanup of the violations, making a partial protection action economically unjustified.

The cumbersomeness of some protection platforms, in the face of more complex criticalities, and the inability of private professionals to avail themselves of the so-called one-click removal procedures used by the players in the online brand protection services industry, may be a deterrent for small and medium-sized companies to activating a protection action. The overall cost may not justify the time taken to physically perform the anti-counterfeiting activity, or, as seen earlier, it may lead to only partially effective results.

Under the current and personal view of online anti-counterfeiting, the paradox is that the limitations and discrepancies mentioned above mean merely 'quantitative' protection activities can be carried out (eg, through the constant monitoring of hundreds of e-commerce sites and through the simultaneous removal of numerous illicit contents) and are, therefore, executable only by clients with a certain allocated budget. The results of these activities would be disconnected and qualitatively limited, making them unsuitable for reconstructing the real unauthorised supply chain and allowing counterfeiters to regenerate and reorganise their illicit distribution channels.

Although the current system provides several tools to fight online counterfeiting, the current scenario remains disconnected from the real dynamics and rapid evolution of the digital market. It does not tackle some of the major obstacles that prevent a profound fight against

counterfeiting that starts from the online market from beginning. These include the existence of additional regulations in the current European and non-European legal landscape. Just some examples are the impossibility of identifying e-commerce counterfeiters, the absence of a system for controlling and certifying the sellers themselves, and the absence of an administrative authority or authorities that can implement sanctions against offenders.

The hope is to achieve an overall harmonisation of instrumentation (legal and otherwise) in fighting online counterfeiting that is accessible and attractive to all types of business, regardless of their size. Such a harmonisation would allow for decisive results, even in the online market – thus eliminating the critical issues posed by the counterfeit industry. These will continue to arise since, as in all competitive markets, as long as there is a demand there will be a supply (albeit in this case an illicit one) to satisfy it.

ENDNOTES

[1] EUIPO, World trade in counterfeit goods: 348 billion euros in value, press release April 18, 2021.

[2] Source: OECD and EUIPO (2021b) Ministry of the Interior and Crime&tech - Università Cattolica del Sacro Cuore, 2022; FATA Project: From awareness to action. Strengthening knowledge and public-private cooperation against new forms of online counterfeiting, Milan: Università Cattolica del Sacro Cuore.

[3] Parliamentary Commission of Inquiry into the Phenomena of Counterfeiting, Commercial Piracy and Abusive Trade, Report on the Phenomenon of Web Counterfeiting, 23 March 2017, p. 20.

[4] https://euipo.europa.eu/tunnelweb/secure/webdav/guest/document_library/observatory/documents/reports/2023_IP_Tech_Watch_Discussion_Paper/2023_IP_Infringement_and_Enforcement_Tech_Watch_Discussion_Paper_FullR_en.pdf.

[5] European regulation approved on 09 December 2023 by the EU Commission, EU Council and EU Parliament and awaiting approval of the final text.

[6] Consider the case where an AI model is implemented through the use of source code available on open-source platforms. It should be noted, however, that many licenses defined as open source are also 'copyleft', i.e., modifiable by parties other than the original author, as long as the modified work retains the same legal regime. It is quite clear, therefore, that open source-copyleft code could contaminate newly developed code (which may be considered open-source code) creating problems from a legal point of view, as it could be used and/or modified freely and free of charge by third parties).



Your European IP Partner

Daide Luigi Petraz
Daniele Giovanni Petraz

dpetraz@glp.eu
daniele.petraz@glp.eu

Via Luciano Manara 13, Milan 20122, Italy

Tel: +39 02 5412 0878

<http://www.glp.eu>

[Read more from this firm on WTR](#)

How to scale anti-counterfeiting to thousands of cases annually

Adward Yudin, Burak Balli and Daniil Shmyrin

BrandMonitor

Summary

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More and more international companies are suffering from counterfeiting. Brand owners are investing millions of dollars every year in combating the problem, but despite this, intellectual property crime amounts to approximately 2.5% of world trade (nearly \$500 billion), according to an OECD study completed in 2021.

The rise of online trade makes it easier than ever for sellers to profit from the wide audience of consumers willing or misled to purchase counterfeit products. The constantly evolving market forces rights holders into a losing battle, leaving them always in search of new methods to fight counterfeiters, often incurring a rise in the cost of enforcement.

The arms race between brand owners and counterfeiters, which has lasted for more than 50 years now, has continued to thrive through multiple generations of anti-counterfeiting teams and executives. The impression within the community is that you can battle counterfeit, but it is not a battle that can be definitively won. Besides, does counterfeiting affect the sales and profitability of brands all that much? Even if it does, for many companies it remains a declaration of social responsibility for proper exposure in this age of information. This leads to anti-counterfeiting work being a 'check box' for many corporations, something that must be done. It continues to evolve and develop, but well within the confines and standards that were set decades ago.

These and other challenges have led us to write this article. We would like to take a deeper dive into the issues facing anti-counterfeiting today and come up with some 'ideal' methods for fighting counterfeiting.

ANTI-COUNTERFEITING TODAY

Anti-counterfeiting is not rocket science. Hypothetically, the solution is to find every manufacturer of counterfeit, every online and offline seller, and take the necessary enforcement actions to stop them. While finding online sellers and enforcing them can be done with significant effectiveness due to technology and automation, doing so offline is a different story.

Let's take Türkiye as a case study. According to UNDP's study of the textile sector in Türkiye, there are approximately 52,000 apparel manufacturers in the country. Hiring the necessary investigators to gather intelligence and the number of law firms necessary to enforce against all of those who manufacture counterfeit goods would be a gargantuan task. More importantly, it would cost a fortune. Besides this, it is important to question whether change is achievable at all by enforcing manufacturers.

Since financial limitations bind this industry, focusing on high-value targets appears not only reasonable but necessary. This seems to make sense: it would create the largest impact on the network of counterfeiters, and better yet, impose enforcements against the source of the counterfeits. Certainly, if many manufacturers were taken down simultaneously, it would significantly affect the availability of counterfeit goods. But without significant changes to the legal framework surrounding counterfeit manufacturing, this would cost many millions and be extremely difficult to execute.

Manufacturers of counterfeits are not oblivious to the consequences of their actions. They are well aware of the anti-counterfeiting industry and know that their actions are illegal. But counterfeiting is an extremely profitable business, often bringing much larger profit margins than illegal drugs and weapons, and with fewer legal ramifications. This leads to conditions

in which the potential benefits heavily outweigh the repercussions. As long as this is the case, counterfeit goods will continue to be manufactured. This persuades us to find other solutions. Is it possible to target demand in the market, instead of supply, to reduce the potential upside for manufacturers?

TARGETING DEMAND

The counterfeit market shows signs that the demand for counterfeit goods of specific brands is generated less by end consumers and significantly more by the retail sellers of these goods in comparison to traditional markets. It is important to note that the leading reason why people purchase counterfeit goods is their affordable price, not the brand. Branding still has an impact. After all, brands invest billions in marketing and fostering a reputation. Sellers tend to piggyback off these images instead of investing in building their reputation from scratch. These sellers choose which brands and products to focus on when ordering their stock. It is they who, from the perspective of the manufacturers, create the demand and then compete in the open market for end consumers' attention. This competition is mostly driven by lowering prices (and consequently, quality) while exploiting the reputation built by brands.

Since there will almost always be suppliers and manufacturers available to satisfy the demand generated by retailers, counterfeiting will continue to flourish despite the efforts of brand protection teams. One would assume that with the largest seizures every year, we would see a growing impact on the market. Unfortunately, that does not seem to be the case. More often than not, the distributed counterfeit market is flexible and sustainable enough to absorb the impacts of enforcement actions. It is able to re-adjust and rebound rapidly with new distribution routes emerging quickly to fill in the temporary void in supply. Systems of this complexity and size can rarely be broken down with a singular action.

Given the above, it appears that to have a tangible impact on the market, we must focus not only on the source of counterfeit goods (manufacturers, distributors – the proverbial 'big fish') but also on the source of the demand for the counterfeit goods in the first place; that is, the retailers.

If we were to approach the issue from the bottom up, by switching our aim to enforcement focused on sellers instead of manufacturers, how would we finance such a project? The obvious issue here is that there is a very large number of entities and locations to enforce. This sounds daunting, but there is good news too: counterfeit retailers (in contrast to manufacturers and distributors) are not part of criminal organisations. They are rarely willing to expend efforts on legal battles. It is far simpler for them to stop infringing and comply with the demands of the rights holders while moving on to other fruitful ventures.

As an outcome, we could structure our enforcement efforts in such a way as to ensure that voluntary settlement is the preferable option for the seller. This is achievable if the negative consequences of continuing the infringing activity outweigh the potential returns.

MAXIMISING ENFORCEMENT AT SCALE

Given the above, we consider two key points with regard to maximising enforcement efforts:

- the ultimate goal of a retail-level enforcement project should be an amicable settlement; and
- criminal and administrative enforcement options should be viewed as means rather than an end goal.

How do we ensure we focus on achieving an amicable settlement? The first step is to properly secure evidence of infringement. This is done in a few different ways, depending on the jurisdiction. A test purchase will usually suffice, sometimes with photos or a video recording of the process. In some countries, there are alternatives that can prove helpful: notarised test purchases (made either online or offline) or, for example, 'evidence determination', a procedure employed in Türkiye.

The end goal of evidence collection is to set up a strong foundation for potential escalation, thus increasing the potential negative consequences of non-compliance for the infringer and subsequently increasing the likelihood of a settlement.

A raid or similar action is advised as an alternative first step in cases where the potential settlement amount justifies the amount of time and effort invested. In some cases, these instruments, although generally quite effective, may lack the quickness of execution demanded by the specifics of the case at hand – a good example being the so-called trademark inspection visits conducted by the Mexican trademark office, which are difficult to organise outside of Mexico City. It is vital to consider the limited capacity of law enforcement authorities: even in countries where raids are relatively easy to organise, the resources available to conduct such raids are limited. Often only tens of raids per month, per city, can be achieved. This resource is therefore best reserved for high-value targets.

The second step is to send a cease and desist notice directly to the seller. Three key requests are included in the cease and desist:

- to destroy the remaining counterfeit stock and present evidence of destruction;
- to refrain from future infringements; and
- to pay reasonable compensation to the brand owner.

The destruction clause is not only used to reduce the costs of seizing and storing products but also ensures the goods don't find a way back into the market.

It is important to account for the financial capabilities of infringers. A settlement should always be a more economically viable option compared to lengthy and costly litigation. Requesting unreasonably high compensations can prevent a quick and efficient resolution of the infringement. As an example, our experience in Türkiye puts the 'sweet spot' for retailers at approximately \$1,000 on average, while in other countries it can be double that amount; or, conversely, it can be lower, like our experience in Latin America suggests. Paying compensation serves as a negative economic stimulus, reducing the appeal of counterfeits for the seller.

Careful consideration of enforcement methods and amounts of requested compensation can help achieve a settlement rate of 50% and above, depending on the country. Additionally, pre-trial mediation, if available, can be a great tool in certain jurisdictions, boosting the settlement rate even higher for only a relatively low investment of time and money.

The compensations received from these settlements can be used to offset the cost of legal action in part or – if done effectively – in full. It is true that some cases will inevitably take longer and will need additional investment, but if done on a large scale with careful choice of enforcement methods, the project can be financially self-sustainable due to the low cost of pre-trial settlements.

Given the points discussed, what would an effective brand protection strategy entail, and what outcomes could we anticipate for the brand? Put plainly, is it feasible to tackle thousands of counterfeit sellers while keeping legal, operational and executional costs low?

CASE STUDY: MASS TARGETED ENFORCEMENT

Trial projects were conducted to test the viability of the described approach in a variety of regions, including Central Asia (Kazakhstan, Kyrgyzstan), the Middle East (Türkiye, Israel), Latin America (Mexico, Brazil) and South Asia (India, Pakistan). What was learnt was that although some cases had to be escalated and/or incurred additional expenses, a significant number were able to be resolved quickly and amicably, provided an appropriate strategy was chosen and implemented.

Multiple variables were tweaked to see their effect on the programme: different enforcement methods were tested to maximise pre-trial settlement rates, the amounts of compensations requested were fine-tuned and enforcement protocols were standardised according to local best practices. In the end, a set of guidelines was developed to streamline the decision-making process for each instance of infringement.

The following are some typical results of a scaled project for one brand within a 12-month period:

- Total locations detected: 2,280.
- Average compensation received per case: \$1,005.
- Average number of destroyed counterfeit items per settlement: 32.

The compensations received not only fully covered the costs of successful cases but also of those cases in which settlements were not reached on a pre-trial basis and additional legal expenses were incurred. With careful implementation, the programme as a whole proved to be financially self-sustainable and scalable.

DOES IT BRING LONG-TERM RESULTS?

Seller-focused enforcement has shown tangible results as more than 70% of the retail locations ceased selling counterfeits after the first iteration of enforcement. Systematic and continuous monitoring of the enforced retailers enabled the effective processing of repeat infringements and the ability to obtain precise data on the effectiveness of the project as a whole.

In contrast to enforcing manufacturers, this scalable approach showed a significant impact on the availability of counterfeit to end consumers. While this approach is not going to defeat counterfeiting altogether, for brands that are counterfeited on a large scale this was the first time we were able to have this much impact in the offline sector.

Understandably, this approach might not work out of the box globally. Many factors affect the feasibility of this approach, including cultural attitudes towards counterfeiting, legal infrastructure, the abundance of counterfeits in the market and so on. The specifics – such as the actions taken and amounts requested – have to be tailored to each region individually. That said, within the brand protection community large strides have been taken in implementing this approach in as many places as possible, both offline and online. Our findings show that the countries which have traditionally proved to be most difficult to enforce tend to have all or some of the conditions required for such a project.

CONCLUSION

This fairly new approach has been gaining traction within the industry and the early adopters are beginning to reap the benefits. We hope that more and more brands will begin to adopt this method in favour of the current 'check-box' approach and that eventually it will become the new industry standard. Adoption will take time – a decade or more as legislative systems take time to adapt and support our industries' efforts – but we believe that in the long run, the effects will bring a dynamic shift in the overall attitude towards counterfeiting, incentivising creative design and invention to a level that has not been seen before. We believe that as a community we can dictate how the open market sells products to consumers if we come together and think outside the box: to not respond to the counterfeiting market but to take control of it.



Adward Yudin
Burak Balli
Daniil Shmyrin

adward.yudin@brand-monitor.com
burak.balli@brand-monitor.com
daniil@brand-monitor.com

Naugarduko g. 68-3, Vilnius, LT-03203, Lithuania

Tel: +370 (683) 46 864

<https://brand-monitor.com/>

[Read more from this firm on WTR](#)

INTA leads collaborative effort for anti-counterfeiting enforcement mechanisms and best practices

Tara Steketee and Kristina Montanaro Schrader

INTA

Summary

TRENDS IN ONLINE COUNTERFEITING

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Consumer and brand protection are at the heart of the International Trademark Association's (INTA) advocacy. This is no less true for the growing concern about counterfeits sold through online marketplaces. Stopping counterfeit goods from reaching consumers is a long-standing priority for INTA members of all types and from all industries.

In November 2023, after more than a decade of research by INTA's Anticounterfeiting, Enforcement and Internet committees, as well as negotiations among the relevant stakeholder groups – including online platforms and brand owners – INTA's Board of Directors passed a resolution establishing a framework for protecting consumers from third-party sales of counterfeit goods.^[1]

TRENDS IN ONLINE COUNTERFEITING

The National Crime Prevention Council reports that \$2 trillion worth of counterfeit products are sold to consumers annually.^[2] Moreover, according to research published last year by Michigan State University's College of Communication Arts and Science, seven out of every 10 people have been deceived into buying counterfeit products online at least once in the past year.^[3]

In the Quarterly Retail E-Commerce Sales report by census.gov, published in February 2024, it was reported that US retail e-commerce sales in Q4 2023 totalled \$285.2 billion.^[4] This is an increase of 0.8% from Q3 2023 and represents 15.6% of total sales. Total e-commerce sales for 2023 were more than \$1.1 trillion, an increase of 7.6% from 2022.

The explosion of commercial activity worldwide facilitated by the Internet has resulted in a concomitant rise in the online sale of counterfeit goods and services. The recent COVID-19 pandemic further exacerbated this problem, as consumers increasingly turned to online sources to purchase consumer products, medicines, medical supplies and other necessities.

The OECD's recent report, *Illicit Trade in Fakes under the COVID-19*, highlights the fact that the pandemic's sudden forced shift to e-commerce had consequences:

Law enforcement agencies across the European Union found e-commerce platforms being extensively used for distributing fraudulent COVID-19 related products. Such malpractices were not restricted to the European Union. The United States faced challenges in ensuring secure and lawful e-commerce; a rise in the use of small packages by counterfeiters that required only minimal data, made it difficult to track illicit activities.^[5]

The ease with which counterfeits can be offered for sale through online marketplaces has created a large problem. This has in turn generated numerous court cases focused on whether liability for the infringing actions extends beyond the bad actor to those providing the online marketplace for the infringing sales.

Given the complexities and advances of technology and innovation taking place on the Internet, courts have had to grapple with the question of 'intermediary liability'. Some court decisions have been inconsistent, in large part due to the absence of a consensus on which legal standards are appropriate. As a result, both brand owners and online marketplaces continue to face tremendous uncertainty and enormous legal and other costs in trying to address this issue.

ADDRESSING THE NEED FOR HARMONISATION IN INTERMEDIARY LIABILITY LEGISLATION

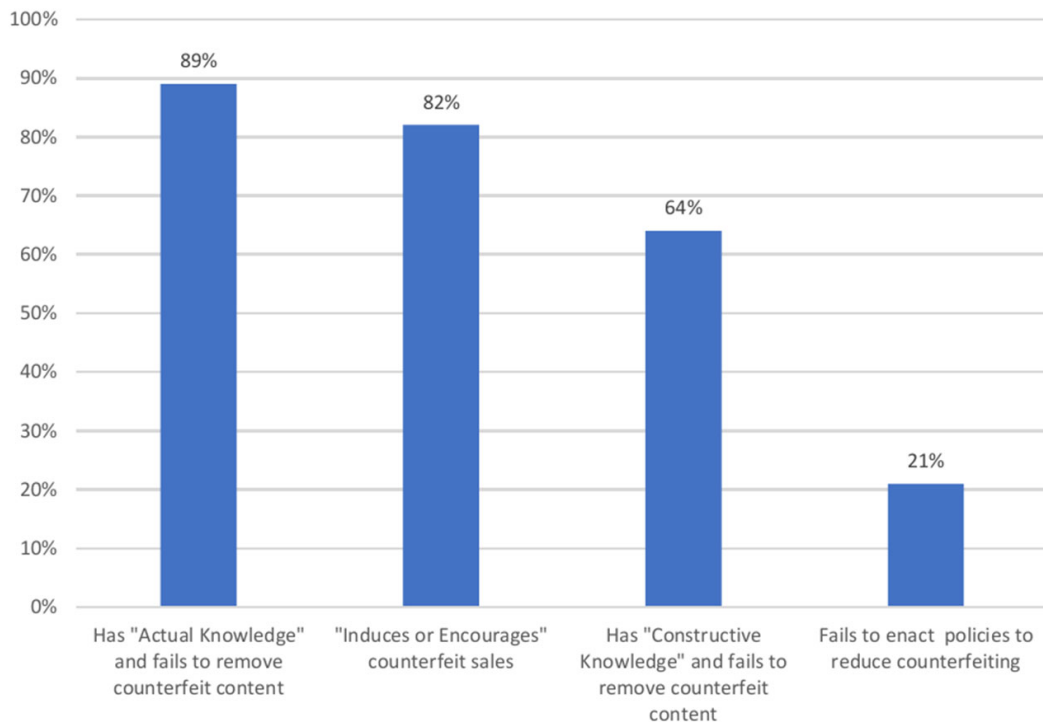
In February 2020, then INTA President Ayala Deutsch, backed by the Executive Committee of the Board, directed the INTA Anticounterfeiting, Enforcement and Internet committees to assess INTA's position on intermediary liability specifically for internet service providers (ISPs). The Association's position at that time stated that 'INTA encourages voluntary cooperation to combat Internet counterfeit sales through the development and adoption of best practices for ISPs and brand owners, rather than developing legislative initiatives or supporting legislation specifically directed at ISP intermediary liability'.

In Q2 2023, the Anticounterfeiting Policy Global Project Team within the INTA Anticounterfeiting Committee conducted a global survey of intermediary liability laws. The survey covered laws in 28 jurisdictions: Australia, Canada, the Dominican Republic, Egypt, El Salvador, the European Union (covering 27 countries), Hong Kong, India, Indonesia, Kenya, Mauritius, Mexico, New Zealand, Nigeria, Pakistan, Panama, Peru, the Philippines, Russia, Singapore, South Africa, South Korea, Sri Lanka, Taiwan, Tanzania, Thailand, the United Arab Emirates and the United States.

The survey revealed that 53% of jurisdictions have laws that hold intermediaries liable for counterfeiting. This indicates a growing recognition of the need to regulate the conduct of online intermediaries. It also establishes that there are many countries around the world that do not have liability laws in place. INTA can play a vital role in these countries advocating for greater harmonisation in pursuit of balanced legal regimes that protect consumers' and rights holders' interests while taking into consideration the various roles of all stakeholders in online sales. The survey found that of the 28 jurisdictions surveyed:

- 23 impose liability on online marketplaces where the marketplace 'induces or encourages' third-party counterfeit sales;
- 25 impose liability on online marketplaces where the marketplace has 'actual knowledge' of third-party counterfeit listings and fails to remove those listings;
- 18 impose liability where the marketplace has 'constructive knowledge' of such counterfeit sales and fails to take action; and
- six impose liability on online marketplaces where the marketplace fails to enact policies to decrease counterfeiting.

% of jurisdictions surveyed where liability on online marketplaces is imposed when:



Importantly, 29%, or eight of the jurisdictions surveyed, had proposals or pending laws concerning intermediary liability for counterfeiting at the time of the survey – further demonstrating the need for INTA to take a position and weigh in on such policies before their implementation.



The jurisdictions with proposed or pending laws include India, Kenya, Mexico, the Philippines, South Korea, Taiwan and the United States. It is notable that the EU Digital Services Act was enacted in November 2022, with its first phase of application beginning in August 2023. This act aims to establish harmonised rules for online intermediary services and applies to all ISPs offering services in the European Single Market.

Some jurisdictions have applied provisions that grant intermediaries certain safe harbours, provided that they meet certain conditions. These mainly revolve around the knowledge, actions and responses of intermediaries to infringing activities.

For example, the IP laws of some jurisdictions establish conditions for the immunity of intermediaries, such as lack of knowledge, prompt action upon notification, lack of direct economic benefit and cooperation with the authorities. Provisions in the Thai Copyright Law and IP Law, for instance, describe the steps that intermediaries must take to be exempt from liability, such as having in place, and complying with, a copyright infringement policy that provides for the termination of services to users who are repeat infringers, and promptly removing infringing content upon notification.

There are other important findings in the survey results, notably:

- the majority of current legislation does not make counter-notices mandatory (whether before or after a notice and takedown is accepted); and
- there are limited obligations for online intermediaries to publish information on content moderation and NTD practice.

Numerous jurisdictions have recognised the need to protect IP rights against infringement facilitated by intermediaries. Laws such as Egypt's Intellectual Property Rights Act No. 82 of 2002, Hong Kong's Copyright Ordinance and similar statutes in other countries have introduced provisions that hold intermediaries liable for knowingly engaging in counterfeiting activities. While some governments have implemented specific laws and regulations, others rely on established legal principles such as contributory negligence and vicarious liability.

The survey results reveal a consensus that intermediaries play a key role in preventing counterfeit sales while emphasising a strong need to establish a common standard. This was highlighted by the diversity of approaches and legal proposals, gaps in obligations for transparency for counterfeit policies, and adequate mechanisms for notice and takedown.

A FRAMEWORK FOR PROTECTING CONSUMERS

INTA recognises that online marketplaces play an integral role in the shopping behaviours and experiences of consumers, and that they are equally vital in disrupting the sale of counterfeits in online marketplaces.

INTA's board resolution defines 'online marketplaces' as persons or entities that operate consumer-directed electronically based or accessed platforms that:

- include features that allow for, facilitate or enable third-party sellers to engage in the sale, purchase, payment, storage, shipping or delivery of a physical consumer product;
- are used by one or more third-party sellers for such purposes; and
- have contractual (or similar) relationships with consumers governing their use of the platforms to purchase physical consumer products.

The INTA resolution delineates standards for legislation to address the accountability of online marketplaces in the sale of third-party counterfeit products when certain conditions are met.

The goal of the resolution was to frame the issue through the lens of consumer safety and the harmonisation of efforts. It outlines INTA's position on where liability lies with

online marketplaces for the third-party sales of counterfeit goods while recognising that obligations imposed on online marketplaces must be weighed in the light of the fundamental principle that trademark owners are principally responsible for protecting and enforcing their trademark rights.

The framework provides a 'three-pronged' test for imposing liability on an online marketplace for third-party sales of counterfeit goods. It breaks down situations when the online marketplace:

- has intentionally induced a third party to sell those specific counterfeit goods; or
- has actual knowledge of specific counterfeit goods being offered on its website or platform, and although it can do so, does not remove its offering; or
- if neither of these apply, has failed to take reasonable steps to prevent and mitigate the sale of counterfeit goods.

The resolution's framework outlines the reasonable baseline steps that online marketplaces should demonstrate to avoid liability. These include:

- implementing mandatory user agreements for buyers and sellers;
- using commercially reasonable 'know your customer' measures;
- administering a notice and takedown system for reporting and removing listings advertising counterfeit goods;
- establishing a system through which buyers and sellers on the online marketplace may report sellers of or listings connected to counterfeit goods;
- enforcing repeat offender policies;
- using measures to detect suspended or banned users and block further access to the online marketplace by such users;
- providing easily accessible information to brand owners, buyers and sellers that identifies the online marketplace's policies and reporting mechanisms for suspected counterfeit goods;
- facilitating the disclosure of information about suspended or terminated sellers of counterfeit goods to brand owners and law enforcement upon request for disclosure (subject to applicable data disclosure and privacy laws); and
- cooperating in criminal and civil investigations where appropriate.

Many brand owners and law enforcement agencies will recognise and already benefit from many of these steps – if not much more enhanced IP protection tools that have been developed and implemented by many of the leading e-commerce platforms. However, by setting out these baseline measures in the resolution, it is hoped that legislators and other e-commerce platforms will seek to implement them in the future to ensure consumers are protected whenever they shop online from third parties via online marketplaces.

With emerging legislation on anticounterfeiting, advances in technology and the global discussion only growing around this important subject, it was critical for INTA to develop a unified, consistent and collaborative voice and message. We are proud of the collaboration that took place within INTA to agree on the language of this important resolution. It

represents a truly unified front for a 146-year-old global organisation with more than 6,400 organisation members from 181 jurisdictions.

The resolution is a lesson in how collaboration among all stakeholders can achieve a collective balance of best interests and unified initiatives to address an industry-wide issue and, more specifically, to curb counterfeiting.

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Tara Steketee
Kristina Montanaro Schrader

kristina.schrader@arlaw.com

675 Third Avenue, 3rd Floor, New York NY 10017, United States

Tel: +1 212 642 1700

<http://www.inta.org>

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Responding to online counterfeiters within the context of social media in China

Michele Ferrante

FERRANTE Intellectual Property

Summary

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As all successful businesses will agree, one of the most important factors in that success is bringing products to the attention of potential consumers. A brand relies upon consumers who provide revenue and positive publicity, which serves to generate more revenue. This in turn enables the expansion of the business by way of income and recognition.

However, such success creates its own problems, attracting infringers who seek to capitalise on the popular brand by using its name to sell their own, often inferior, products. The global problem of counterfeiting has proliferated over the past few years, assisted by changes in international consumer shopping habits that – especially since the Covid 19 pandemic – have accelerated digitalisation, reduced reliance on bricks-and-mortar shopping destinations and pushed businesses and consumers online. A further shift has now taken place, with an increasing number of sales being made via social media, where brands use live streaming or influencers to promote their products. Social media is now the new e-commerce marketplace, requiring a suitable and immediate response to increasing intellectual property (IP) infringement.

BACKGROUND

Social media marketing has become one of the most significant growth paths for many businesses in the current economic climate. More than 4.60 billion people are active Internet users around the world, accounting for 59.5% of the world population. In 2022 there were 4.32 billion mobile Internet users, of whom 4.2 billion were active users of social media platforms.^[1] In China, Western social media platforms are not officially permitted, so X (formerly known as Twitter), Facebook and YouTube are replaced by China's own social media. Various platforms include WeChat, which had 1.26 billion monthly active users, Little Red Book (XioHongShu, also known as Chinese Instagram) had 200 million monthly active users, Douyin (Chinese TikTok) had 800 million active monthly users and Youku (Chinese YouTube) had 500 million.^[2] These figures provide some context to the importance of social media as a way of attracting and retaining customers.

Social media has been described as 'a group of internet based applications that build on the ideological and technical foundations of Web 2.0 and that allow the creation and exchange of user-generated content'.^[3] There are many benefits to social media, which may be used by businesses to reach out to customers and extend the awareness of the brand, and to influence the behaviour of their customers. Consumers can also provide the business with feedback, which can result in the provision of improved products and services, creating an environment whereby the relationship between buyer and seller is enhanced. The buyer feels empowered by the interaction and a media-savvy seller can harness this positivity to gain a competitive advantage in the market.

E-COMMERCE IN SOUTHEAST ASIA

Yihan notes that a new era in China's economy started with the growth of the e-commerce market, which accounted for more than 38% of the country's GDP by 2020. In 2021, China accounted for more than 50% of worldwide e-commerce retail sales, surpassing Europe and the United States combined.^[4] It is not surprising that businesses see the great potential of social media platforms. With increased commercial potential comes the increased possibility of IP infringement, and businesses will need to raise their game to protect their interests and the value of their brand.

Southeast Asia has sought to address the threats from counterfeiting through online sales. In Vietnam, for example, many brands pay to advertise their products in a way that encompasses the widest audience, such as using Facebook, YouTube, Tik Tok or the messaging app Zalo, and live streaming is used to present products to consumers in a way that encourages a swift purchase. In 2020, the Vietnam National Market Surveillance Agency undertook a high number of raids and seized fake products bound for the online market.^[5] Prior to this development, in December 2019, Vietnam's Ministry of Industry and Trade launched a portal^[6] to deal with e-commerce disputes and counterfeits. This enabled both individuals and businesses to report infringing activities. Thereafter, the relevant agencies^[7] work together to settle the case and inform the complainant of the result.^[8]

LEGISLATIVE RESPONSES

In addition to the portal, a new e-commerce decree in Vietnam will restrict the sales of fake goods on e-commerce platforms and monitor online trading activities.^[9] The burden will be on the e-commerce platform operators to be proactive in preventing prohibited goods and services from appearing on platforms and to remove them within 24 hours of receiving a request to do so from the relevant agencies, as well as cooperating with right holders to take down infringing content or products.^[10]

China has similarly responded to the e-commerce boom by enacting the E-Commerce Law of the People's Republic of China (the E-Commerce Law), effective from 1 January 2019.^[11] The objective of this legislation is to regulate the proliferating e-commerce business model while also provide consumer protection. The new legislation classifies three types of business operators that fall within the scope of the law: e-commerce operators,^[12] platform operators^[13] and e-commerce operators on platforms. An example of an e-commerce operator – who can be a natural person, an incorporated entity or an incorporated association – is a seller providing goods via a social media platform such as WeChat. A platform operator, meanwhile, provides an online platform, for businesses providing the goods or services. Finally, e-commerce operators on platforms are third-party businesses selling goods or services on e-commerce platforms.

The legislation defines e-commerce as all business activities conducted on an information network to sell commodities or offer services within China, with the exceptions of certain items, including financial products or services or services relating to news stories.^[14] The E-Commerce Law imposes a legal requirement for business registration on all e-commerce operators, who must now operate as legal business entities, adhering to the relevant business laws and administrative regulations required to conduct business throughout China, to obtain a business licence, subject to any legal exclusion, and to fulfil any tax obligations.

The new legislation also imposes liabilities on e-commerce platforms, who are responsible for ensuring that they provide open, fair and just services to third-party businesses who operate on their platforms. There is a duty upon the platforms to provide transparent service agreements and rules and to give prominent notification of any proposed changes to the service agreement and rules, at least seven days before they are implemented.^[15] A further obligation is placed upon the platforms to verify and identify the third-party businesses operating upon them. The obligation includes the submission of the tax and business identification of the third party, to the Department of Market Regulation. Where a business continues to be unregistered while operating from the platform, it is incumbent

upon the platform to issue them with a warning to register and to report any violations to the appropriate Government department.

One concept of the E-Commerce Law is the provision of information for consumers, who are entitled to a right to know and a right of choice. Any information relating to commodities or services must be disclosed in a comprehensive, accurate and timely manner. False or misleading information relating to, for example, fictitious deals or untrue consumer comments, is forbidden.^[16] Genuine comments made by consumers concerning goods or services provided by an e-commerce operator on platforms may not be deleted.^[17]

As e-commerce has expanded, incidents of IP rights infringement have also proliferated. Under the E-Commerce Law, it is the operator of the e-commerce platform who is responsible for managing IP infringement, and they may be jointly liable with the infringer for damages if, on receipt of a Notice of Intellectual Property Infringement, they fail to forward this to the e-commerce operator. This is also the case where the platform fails to take appropriate measures to stop the infringement, such as deleting or blocking the relevant information, disabling relevant links and terminating transactions or services.^[18]

A further new concept can be found in Article 38 of China's E-Commerce Law, which regulates the platform operators' obligations and liabilities concerning product safety. The Article introduces two categories of obligations: the verification obligation and the safety obligation. Under Article 38, a consumer who suffers damage from any product purchased on the platform may now seek compensation from the platform operator who breached one of its obligations under that Article. Article 38(1) provides that an e-commerce platform operator will be jointly and severally held liable with the violating sellers on its platform if it knows or should know about the infringement and fails to take necessary measures to safeguard personal or property safety. Article 38(2) provides that an e-commerce platform operator that fails to fulfil their obligations, such as failing to examine the administrative licensing certificate of sellers, or failing to protect customers' safety, resulting in consumer damage, will carry the resulting liability. Platform operators in breach of these obligations may face an administrative penalty under Article 83, as well as liability under Article 38.^[19] The obligations placed upon the platform operators are to verify the seller's identity information, to verify the seller's Administrative Licensing Certificates and to review the product information.

The Article 38 provisions have implications for IP infringement because fake goods in certain product markets are more likely to cause damage or injury than good quality original ones. However, it is unclear from Article 38 how a determination can be made that the platform has fulfilled its verification obligations and the depth to which such verifications must go. Future amendments to the E-Commerce Law should provide specificity about the extent of verifications, especially in relation to the product information. There is a causative effect between the quality of the platform operators' verification and any damage caused by a defective or fake product. Medical or electrical products are especially vulnerable in this respect.

While platform operators are responsible for monitoring and preventing infringements, sellers may be jointly liable for damage. This is a risk not only a risk to their financial well-being but also to their reputation. Even where a brand has no involvement in, or knowledge of, sales made from an infringing seller on a platform, the potential negative publicity may be very damaging. Brands should consider the new E-Commerce Law and ensure that they can produce good quality documentation that sets out their identity,

Administrative Licensing Certificates and product information. This is an area that IP lawyers will no doubt encounter in the next few years as the E-Commerce Law becomes more widely recognised by consumers and sellers.

The new E-Commerce Law is a step in the right direction for reducing and preventing IP infringement in a social media environment. However, IP rights holders must help themselves and be proactive in addressing this issue. They should take advice from experienced IP lawyers at the outset and ensure that they have registered their rights and have in place an appropriate anti-counterfeiting strategy to protect their IP portfolios. Such strategies should include regular monitoring of e-commerce and social media platforms so that infringing material can be detected and the most appropriate legal route can initially be taken by their lawyers, such as the issuing of takedown notices, cease and desist letters sent to the infringer, and notices provided to the relevant authorities so that they can remove the infringing material or start the most appropriate civil or criminal action.

CONCLUSION

Regulations with respect to social media as the new e-commerce marketplace are still in their infancy. It can be expected that China will expend a great deal of time and effort in regulating these over the next few years, with IP legislation becoming increasingly focused on it in the same way that bad faith in trademark applications was the focal point for new law from 2013 onwards. Consumers' rights will be the focus of the e-commerce marketplace: brands will be well advised to be proactive from the outset to ensure that their IP portfolio includes good quality verification documentation in relation to their identity, product details and licensing certification. Social media provides access to a wide audience of potential buyers as well as a wide range of potential infringers, whose activities require an 'e-mediate' response.

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[16] Ibid., Article 17.

[17] Ibid., Article 39.

[18] Ibid., Chapter VI, Legal Liabilities, Art. 74–88.

[19] Under the E-Commerce Law, Art. 38, where an e-commerce platform business fails to take the necessary measures, though it knows or should have known that an in-platform business sells commodities, or provides services inconsistent with the requirements for guaranteeing personal and property safety, or commits any other conduct of infringing upon the lawful rights and interests of consumers, the e-commerce platform business and the in-platform business shall be jointly and severally liable. If, in respect of commodities or services relative to the life and health of consumers, an e-commerce platform business causes damage to a consumer by its failure to perform the obligation of reviewing the qualifications of an in-platform business, or the obligation of guaranteeing the safety of consumers, the e-commerce platform business shall be correspondingly liable in accordance with the law.



FERRANTE
INTELLECTUAL PROPERTY

Michele Ferrante

info@ferrante.asia

608 Tower A, Tian Yuan Gang Centre, Dongsanhuan North Road, Chaoyang District ,
Beijing 100027, China

Tel: +86 10 8446 4995

<https://www.ferrante.asia>

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Brazil: Market growth pushes anti-counterfeiting efforts up the agenda

Rafael Lacaz Amaral and Raquel Corrêa Barros

Kasznar Leonardos Intellectual Property

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LEGAL FRAMEWORK

The growth of the Brazilian market and economy has been paralleled by an increase in counterfeiting activities. The enforcement of IP rights involves planning, technology, intelligence, training and coordination. It is supported by several 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);
- the General Sport Law (14.597/23).

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.

Concerning 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, the penalties provided by the legislation are very low, and counterfeiters often have their prison sentences replaced by fines paid to the state.

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 a civil lawsuit for IP infringement.

BORDER MEASURES

The following statutory 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.

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

Due to the great length of Brazil's national borders, imported merchandise is monitored by Customs through sampling processes.

Retentions are made ex officio or at 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 its trademark attorney is contacted to collect samples and to state, through 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 holder of intellectual property rights recognises that the product is not original, they can prevent its entry into national territory through an administrative measure by initiating a customs procedure or by filing a judicial measure. In the latter case, the rights holder seeks to obtain an injunction requiring Customs to disclose the name and address of the importer – as these data are treated by authorities as privileged and covered by tax privacy – in order to pursue the importer's judicial condemnation to payment of damages, as well as to request the destruction of the infringing merchandise.

Due to a narrow interpretation of the law, some customs agencies require the rights holder to file a lawsuit to seize the counterfeit goods. Others accept administrative requests. Rights 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 technical report presented by the rights holder attesting to the counterfeiting is enough to seize the suspected items and destroy them through the administrative tax procedure. The rights 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 Directory for Combating Trademark Counterfeiting. This 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 Combat of Piracy Resolution 1/2011, the directory will assist public authorities in:

-

obtaining samples, manuals and information on original products for the examination of seized counterfeiting goods by the police;

- obtaining complaints and documents to file a police investigation or file 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.

Since its inclusion in the National Plan to Combat Piracy (2022/2025), the National Directory for Combating Trademark Counterfeiting has grown in strength and its use by the main authorities involved in combating piracy has expanded throughout the national territory.

A general request for surveillance can be filed at the Customs General Management Office. However, 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. Both personal contact with and training of customs agents to identify infringing goods are possible and are 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 penalties for trademark infringement range from fines to imprisonment of three months to one year or a fine, the penalties for copyright infringement (where the violation has economic consequences) may vary from a fine to imprisonment of two to four years.

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. This requires a court-appointed expert to 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 an assistant to the public prosecutor.

Since piracy and counterfeiting are criminal offences, the law also grants enforcement authorities the discretionary power to conduct police raids against such activities. Raids are usually conducted in city areas where many street sellers or shops sell counterfeits, especially in places known to be important trade areas that are 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 its 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 filing 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 it to exploit the rights legally.

The civil compensation procedures are often slow and time-consuming, and their success depends on 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.

When a complaint is presented from the rights holder, accompanied by 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. At the end of

the fiscal procedure, these items will be sent for destruction and those responsible will be penalised.

If the rights holders wish, 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.

ANTI-COUNTERFEITING ONLINE

In 2014, Congress enacted Law 12965/2014, known as the Brazilian Civil Rights Framework for the Internet. This 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). It is not mandatory to identify the party that is responsible for the alleged infringement, but it is recommended and generally necessary to execute future enforcement measures.

Confronted by a significant increase in the marketing of counterfeit products on the Internet and the existing legal gap in Brazil regarding the regulation of marketplace and social media platform activities, in 2020 the National Council for Combating Piracy (CNCP) published a Best Practices Guide. Through this guide, certain measures were defined that should be implemented by platforms to protect the intellectual property of third parties. However, as the guide lacks legal force, it has not shown the desired effectiveness. For instance, some platforms, despite adhering to the Best Practices Guide, do not meet the goals established in it. For this reason, the CNCP has been working on drafting a law that will regulate the operations of marketplaces, which will likely strengthen the fight against the sale of counterfeit products in the virtual environment and provide rights holders with efficient means to identify those responsible for such violations.

Despite the challenging scenario regarding the sale of counterfeit products online, Brazil has demonstrated remarkable advances in combating the online piracy of audiovisual works. A notable example is Operation 404, conducted by the Department of Justice. In the latest operation, carried out in November 2023, over 600 websites and apps that disseminated irregular content were taken down. This initiative showcases the country's commitment to fostering a safer and more ethical online environment for creators and consumers.

PREVENTATIVE MEASURES/STRATEGIES

Besides registering trademarks, certain preventative 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, since 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 preventative measure.

In addition, cooperation with official anti-counterfeiting agencies and financial services companies is indispensable to implementing and maintaining a successful anti-counterfeiting programme. Cooperation can include exchanging investigative

information, providing in-person training and collaborating on the logistical organisation of major raids. 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.



Rafael Lacaz Amaral
Raquel Corrêa Barros

rafael.amaral@kasznarleonardos.com
raquel.barros@kasznarleonardos.com

Teófilo Otoni st 63, 5-7 Floors, Rio de Janeiro RJ 20090-070, Brazil

Tel: +55 21 2113 1919

<http://www.kasznarleonardos.com>

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Canada: Burden falls on brand owners and customs in the fight against counterfeiters

[Georgina Danzig](#), [Annette Latoszewska](#) and [Stephano Salani](#)

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LEGAL FRAMEWORK

There is no single piece of legislation that governs whether and to what extent a counterfeit good violates Canadian law and, if so, what recourse may be available to the rights holder. The legal framework for anti-counterfeit enforcement may comprise any one or more of the following four statutes:

- the Trademarks Act (RSC 1985, c T-13);
- the Copyright Act (RSC 1985, c C-42);
- the Canada Consumer Product Safety Act (S.C.2010, c.21); and/or
- the Criminal Code (RSC 1985, c C-46).

UPDATE ON IP BORDER ENFORCEMENT

In 2023, there were 303 active registrants in Canada's IP Border Enforcement programme, each having filed a Request for Assistance (RFA). This represents a 17% reduction (approximately) on the number of rights holders registered in the programme since November of 2021.^[1]

Although a single RFA may be directed to any number of IP rights, participation in the IP border enforcement programme is disproportionately low when compared to the number of registered trademark rights in Canada, let alone copyrights (registered or unregistered) and geographical indications, each of which may also be the subjects of RFAs.

Data from Canadian border services shows a rapid decline in RFA interceptions at the border from summer 2023.^[2] There were also fewer than 5,000 registered trademarks and fewer than 500 copyrights covered by the 303 active RFAs in 2023. When one considers that the programme has been operational since 2015, registration is free, and in the fiscal year 2022–2023 just under 50,000 trademarks were filed and registered with the Canadian Intellectual Property Office,^[3] each of which are technically eligible for protection under the RFA Programme, one is left to conclude that the programme either has systemic limitations that do not address the commercial realities of rights holders combatting counterfeit goods at the Canadian border; and/or that the vast majority of rights holders remain unaware of the programme and its benefits.

More than approximately 90% of RFA registrants who were notified by Customs of suspected counterfeit goods and/or pirated works pursued a civil remedy (out-of-court or via court proceedings). Typically, successful out-of-court resolutions include an agreement by the importer to abandon the shipment and pay the cost of storage, transport and destruction. In the limited instances where the rights holder was required to commence litigation, the cases typically settle early in the litigation process and on substantially similar terms.

Reports of low enforcement levels for counterfeit and pirated goods at Canada's border have been cited as one significant concern regarding the country's IP environment by its largest trading partner, the United States. Such concern was expressed in the 2023 edition of the Special 301 Report on IP Protection, published by the Office of the United States Trade Representative.^[4] Canada remains on the USTR Watch List, along with 22 other countries.^[5]

BORDER MEASURES: REQUESTS FOR ASSISTANCE

Canada's IP border enforcement programme has been in place since 2015. Canada Customs has ex officio power to detain shipments suspected of being counterfeit products or pirated works. Customs has no authority to seize or destroy counterfeit products or pirated works on its own.

Participation in the IP border enforcement programme begins with an IP rights holder filing an RFA with Canada Customs. This is valid for two years, following which it may be renewed (at no cost) in two-year increments. The RFA serves to record the rights holder's registered trademarks, registered and unregistered copyrights and registered geographical indications with Canadian Customs. A single RFA can list any number of these IP rights belonging to the rights holder filing the request, and there is no government fee associated with filing. While enrolment in the IP border enforcement programme is free, the rights holder is responsible for costs associated with the storage, handling, and destruction of detained goods.

An RFA filing empowers Canadian Customs to detain shipments of suspected counterfeit products or pirated works related to the rights listed therein. The RFA also empowers Customs to disclose certain information to the rights holder to allow them to pursue a civil remedy – whether by a demand letter sent to the importer of record or by the commencement of a court proceeding.

Detention of suspected counterfeit goods by Customs is time-limited, and goods cannot be detained beyond 10 working days unless an extension is requested by the rights holder. If an extension is requested, detention may continue for a further 10 working days (five days in the case of perishable goods).

In addition to detaining the suspected counterfeit goods, Customs may also provide the rights holder with a sample of the goods and/or information about the goods that could assist the rights holder in pursuing a remedy. Information that may be shared with the rights holder includes:

- a description of the copies or goods and their characteristics;
- the name and address of their owner;
- the name and address of their importer;
- the name and address of their exporter;
- the name and address of their consignee;
- the name and address of any other person involved in the movement of the goods;
- the name and address of the person who made the goods;
- the quantity of goods;
- the countries in which they were made and through which they passed in transit; and
- the day on which they were imported, if applicable.

The rights holder cannot use the information it receives from Customs for any purpose other than to determine whether the import or export of the goods at issue is an infringement of the recorded rights, to commence an action in court or to reach an out-of-court settlement.

If the goods are counterfeit and/or the works are pirated, and a settlement cannot be reached between the importer and the rights holder before the detention period expires, the goods will be released by Customs (subject to compliance with all other import requirements). The

only exception is if the rights holder commences court proceedings against the importer seeking, at least, an order from the court for the seizure and destruction of the goods and/or works.

If the rights holder does commence an action in court, the remedies which may be available are proscribed by the Trademarks Act and/or the Copyright Act. These typically include an order for the seizure and destruction of counterfeit goods or pirated works.

Memorandum D19-4-3, Copyright, Trademarks and Geographical Indications,^[6] provides a step-by-step outline of the RFA programme. It states that once a rights holder is notified by the CBSA of the suspected counterfeit goods and/or pirated works, they have three business days to advise Customs, via email, if they wish to pursue a remedy or not. Within that three-day pre-notice period, and at the discretion of Customs, no information is provided about the owner, importer, exporter and/or consignee – only pictures and quantities of the suspect shipment are disclosed. If the rights holder does not respond within these three days or advises Customs that it will not pursue a civil remedy, the goods and/or works are released, subject to the importer's compliance with all other import requirements.

If, on the other hand, the rights holder confirms they will be pursuing a civil remedy, they will be issued a 'Rights Holders/Owners Notice of Detention for Goods Suspected of Contravening IPR'^[7] via email and the suspected counterfeit goods and/or pirated works will continue to be detained, as prescribed by the detention period. The importer will be advised that Customs has detained their goods and the rights holder will use the detention period to start an action or reach an out-of-court settlement.

Customs also has a hotline known as the Border Watch Line (1-888-502-9060), whereby interested persons can contact Customs and provide information on shipments of dangerous counterfeit goods (ie, goods that represent a health, safety or security threat) destined for Canada.^[8]

CRIMINAL OFFENCES AND PROSECUTION

Both the Trademarks Act and the Copyright Act include criminal offence provisions.

The Trademarks Act prohibits the importation and exportation of goods or their labels or packaging bearing, without the consent of the owner of the registered trademark for such goods, a trademark that is identical to, or that cannot be distinguished in its essential aspects from, that registered trademark, on a commercial scale (Trademarks Act, s. 51.03). The Copyright Act also incorporates provisions relating to the use of works that infringe copyright in section 42(1), the circumvention of technological protection measures in section 42(3.1) and the infringement of rights management information in section 42(3.2).

The particulars of the broad offence provisions found in section 42(1) of the Copyright Act state that every person commits an offence who knowingly:

- makes for sale or rental an infringing copy of a work or other subject matter in which copyright subsists;
- sells or rents out, or by way of trade exposes or offers for sale or rental, an infringing copy of a work or other subject matter in which copyright subsists;
- distributes infringing copies of a work or other subject matter in which copyright subsists, either for trade or to such an extent as to affect prejudicially the owner of the copyright;

- by way of trade exhibits in public an infringing copy of a work or other subject matter in which copyright subsists;
- possesses for sale, rental or distribution for trade or exhibition in public by way of trade an infringing copy of a work or other subject matter in which copyright subsists;
- imports for sale or rental into Canada any infringing copy of a work or other subject matter in which copyright subsists; or
- exports or attempts to export, for sale or rental, an infringing copy of a work or other subject matter in which copyright subsists.

The Criminal Code contains various offences related to counterfeiting, including:

- the forgery of a trademark;
- fraud;
- the passing-off of goods as those of another;
- the use of a description that is false in a material respect regarding the properties of a good or goods, such as quality, mode of manufacture, and geographical origin; and
- the recording in a movie theatre of a performance or soundtrack of cinematographic work within the meaning of Section 2 of the Copyright Act.

Conviction of an offence under the Criminal Code requires proof beyond a reasonable doubt of the act itself and subjective knowledge of the prohibited act. Courts have found that subjective knowledge can be proved by circumstantial evidence, such as prior civil lawsuits or judgments of infringement or possession of previously delivered cease and desist letters from rights holders.

Both the Trademarks Act (at section 51.01(6)) and the Copyright Act (at section 42(3.3)) provide for the following criminal penalties arising from counterfeiting offences:

- upon conviction on indictment, of a fine of up to \$1 million or imprisonment for up to five years, or both; and
- upon summary conviction, of a fine of up to \$25,000 or imprisonment for a term of not more than six months, or both.

The Criminal Code provides for imprisonment for up to two years upon conviction for an indictable offence concerning fraud, passing off or forgery involving a trademark. Although imprisonment is available for copyright or trademark offences, courts and prosecutors rarely impose or recommend jail time. In addition, fines imposed tend to be low, and nowhere near the maximum thresholds.

When imposing penalties for copyright or trademark offences, courts will apply statutory principles of sentencing. A sentence must be proportionate to the gravity of the offence and the degree of responsibility of the offender. In conducting their analysis, courts consider one or more of the following objectives:

- denouncing unlawful conduct;
- deterring the offender and others from committing further offences;
- separating the offender from society where necessary;

- assisting in the rehabilitation of the offender;
- providing reparations for harm done to victims or the community; and
- promoting a sense of responsibility in offenders and acknowledgement of the harm done to victims and the community.
 - importing shipments of counterfeit goods under multiple fake names, and then rerouting deliveries to alternative names and addresses after the goods have cleared Customs;

CIVIL ENFORCEMENT

Counterfeiting activity is usually addressed by way of civil remedies. These are primarily pursued through the statutory regimes of the Trademarks Act and the Copyright Act.

TRADEMARK

Civil enforcement requires trademark owners to establish, on a balance of probabilities, the constituent elements of an action for trademark infringement, passing-off or depreciation of goodwill.

Upon a successful finding of infringement, passing-off or depreciation of goodwill, the remedies available under the Trademarks Act are broad and permit the court to 'make any order that it considers appropriate in the circumstances'. This includes but is not limited to, an injunction, recovery of damages or profits, and an order for the surrender or destruction of the counterfeit trademarked goods. Additional remedies include punitive damages, preservation orders, mandatory orders, pre- and post-judgment interest, and recovery of a portion of legal costs.

Notwithstanding the breadth of discretion afforded to jurists in granting remedies, there is no provision to award statutory damages. To be clear, the successful plaintiff/rights holder may choose either an accounting of the defendant's profits or the payment of damages suffered from the infringing conduct – but not both.

COPYRIGHT

Similarly, civil enforcement of pirated copyrighted works requires the copyright holder to establish, on a balance of probabilities, the constituent elements of an action for copyright infringement. Upon a successful finding of copyright infringement, a copyright owner may be entitled to remedies such as an injunction, damages and accounting of profits and an order for surrender or destruction.

Unlike remedies under the Trademarks Act, the Copyright Act permits a successful plaintiff to recover both an accounting of the defendant's profits and the payment of damages suffered from the infringing conduct. It also provides for the option of electing statutory damages per copyrighted work infringed (instead of damages and an accounting of profits). For each work infringed, in the commercial context, the Copyright Act provides for statutory damages of between \$500 and \$20,000 per work infringed.

REMEDIES

COMPENSATORY DAMAGES

Quantifying damages in trademark counterfeiting cases poses substantial challenges due to the evidentiary obstacle of demonstrating sales by counterfeiters. Counterfeiters rarely, if ever, disclose the full extent of their wrongful activities. As a result, an accurate or close calculation of the damages suffered by the plaintiffs is almost impossible. However, the Federal Court does not limit damages to just directly provable lost sales. The Federal Court has consistently upheld the principle that damages can be inferred based on the plaintiff's loss of control over their own brand reputation and goodwill. Accordingly, in cases where the counterfeiter's documents and/or financial records are not provided to the court, the Federal Court will still award brand owners lump sum damages as compensation, even in the absence of detailed profit information from the defendant.

Since 1997, the Federal Court has adopted a standardised scale for the quantification of damages in cases involving the sale of counterfeit goods. The court has held that damages, per plaintiff, may be quantified on a per incidence of infringement basis and based on the nature of the infringer: \$3,000 (in 1997 dollars) where the defendant operates from temporary facilities (ie, flea markets), \$6,000 (in 1997 dollars) where the defendant operates from conventional retail premises (stores), and \$24,000 (in 1997 dollars) where the defendant is a manufacturer, importer or distributor of counterfeit goods. Each of these figures has been increased over the years in line with inflation. The jurisprudence contemplates an award of damages to each plaintiff (ie, trademark owner and exclusive licensees/distributor, if both are parties to the action), effectively doubling the award.

In 2023, by way of example, the scale of damages for a fixed retail seller, adjusted for inflation, is \$10,000. Based on recent jurisprudence this is expressly extended to include online sellers.^[9] These compensatory damage awards can and have resulted in significant damage awards to the value of multiple hundreds of thousands of dollars if not millions of dollars.

PUNITIVE DAMAGES

Punitive damages can also be awarded in counterfeiting cases when a party's conduct has been malicious, oppressive and high-handed; offends the court's sense of decency; and represents a marked departure from ordinary standards of decent behaviour. Punitive damages may be awarded in addition to compensatory or statutory damages, but only where compensatory (or statutory) damages alone would be insufficient to deter future misconduct.

EXTRAORDINARY REMEDIES

The challenge with civil counterfeiting cases is less gathering evidence of infringement and more often ascertaining the identity/location of the counterfeiter who is commercialising the counterfeit goods, obtaining and/or preserving evidence to establish the scope of the enterprise and obtaining a meaningful and enforceable remedy (eg, whether there is a presence or assets in a jurisdiction where a court order can be enforced). These challenges are exacerbated by counterfeiters' ever-increasing efforts to avoid detection. These include:

- importing using a proliferation of small drop shipments direct to consumers;
- using multiple names, aliases and online accounts to advertise, offer for sale and sell counterfeit goods; and
- regularly rebranding online presences, which can be done instantly, at very low cost, and with little to no interruption or out-of-pocket expense.

In light of these and other challenges faced by rights holders, extraordinary remedies – including interlocutory injunctions, Anton Piller Orders, Norwich Orders and Mareva orders – have all been effectively used in the context of anti-counterfeiting enforcement. Each will only be granted if the plaintiff can satisfy the high legal and evidentiary threshold necessary to secure each remedy.

These remedies are unique, and will be reviewed at a very high level. Interlocutory injunctions are temporary orders issued in the course of a lawsuit (after a lawsuit is commenced but before trial) to inhibit someone from taking certain actions for a period of time. For example, this remedy can be used to prevent the sale or disposition of allegedly counterfeit goods before a determination of infringement is made at trial. It should be noted that interlocutory injunctions are extremely difficult to secure, primarily due to the challenge of establishing that the plaintiff will suffer irreparable harm if the injunction is not granted (this is a necessary element of the test to secure this remedy). By contrast, permanent injunctions are regularly granted after a finding of infringement or passing off.

Anton Piller orders were once the most common of the extraordinary remedies used by rights holders in Canada. An Anton Piller Order instructs the party served to surrender goods alleged to be counterfeit for preservation pending determination of the action. While refusal potentially subjects a party to contempt of court proceedings, compliance is voluntary, and parties executing Anton Piller orders cannot breach the peace if the party served refuses to cooperate.

The execution of an Anton Piller order must be supervised by an independent supervising solicitor who does not represent the right holder. They must fully explain the terms of the order, supervise any permitted searches and ensure that any potentially privileged documents are preserved in a manner that allows the party served to assert privilege before they are disclosed. Law enforcement usually attends to keep the peace and assure the party served that the process is legitimate.

Canadian courts have also issued rolling Anton Piller orders in John Doe and Jane Doe actions in which the identities of the infringers are not yet known to the plaintiff(s). Once a rolling Anton Piller order is executed, courts have an established protocol for reviewing the service and for adding the party served as a named party defendant.

Norwich orders enable discovery from a third party. This remedy can be instrumental in, for example, identifying the true identity of a defendant counterfeiter. In appropriate cases, Norwich orders can be used to compel internet service providers (ISPs), payment processors, or even shippers (eg, DHL and FedEx) to disclose their customers' name and contact information – and to provide information not otherwise available to a plaintiff.

A Mareva order is an interlocutory remedy that can be used to freeze assets and prevent them from being hidden, destroyed or removed from a jurisdiction pending the outcome of the action.

COSTS

In Canada, the successful party to litigation is generally awarded a portion of its costs, including fees paid to its lawyer and disbursements incurred in the action (for, eg, filing fees, costs to retain experts etc). Full indemnity (wherein the successful party is awarded all its legal costs) is rare but has been awarded in exceptional circumstances usually related to dishonest or otherwise egregious behaviour.

CANADA CONSUMER PRODUCT SAFETY ACT

While not directly designed to address counterfeit goods and pirated works, the Canada Consumer Product Safety Act prohibits the production, importation, selling or promotion of consumer goods that may present an unjustifiable risk to the health or safety of Canadians. The Act also includes prohibitions relating to the packaging, labelling or promotion of a consumer product in a manner that is inaccurate, misleading or deceptive with respect to the product's safety.

This legislation also gives broad powers to Health Canada inspectors to enter, inspect, test, seize, detain, order recalls, forfeit or destroy goods, and/or issue administrative penalties or fines for those that do not comply with the legislation. A warrant is required if the premises being entered are a personal residence. [\[10\]](#)

ANTI-COUNTERFEITING ONLINE

The Copyright Act:

- prohibits circumvention of technological protection measures (section 41.1);
- prohibits the manufacture, import and sale of technology, devices and services designed primarily to break digital locks (section 41.1);
- defines 'infringement' to include services that primarily enable acts of copyright infringement through the Internet or other digital networks; and
- sets statutory damages of \$500 to \$20,000 for commercial infringements and \$100 to \$5,000 for non-commercial infringements. In exercising discretion within the spectrum of statutory damages, courts consider relevant factors including the infringer's good or bad faith and proportionality of the award to the infringement (section 38.1(5)).

The Act also sets out the obligations and limits the liability of internet service providers (ISPs) concerning third-party infringing activity detected on their networks and services.

Section 41.25 of the Act defines Canada's 'notice and notice' regime. Unlike the 'notice and takedown' regime in the United States, Canada's 'notice and notice' regime does not mandate ISPs to take down copyrighted works that are the subject of notices of claimed infringement received by the ISP.

In Canada, ISPs are only obliged to forward these notices to the alleged infringer and retain certain records in respect of those individuals. ISPs and search engines are immune from liability so long as they function solely as genuine intermediaries in communication, caching or hosting services. The Canada–United States–Mexico Agreement (CUSMA) exempts Canada from any obligation to comply with the notice and takedown regime and/or the safe harbour provisions of the CUSMA.

The Copyright Act lists certain exceptions to infringement for the following non-commercial activities:

- Format shifting for private purposes – transferring content from one device to another. This provision does extend to content safeguarded by a digital lock or other technological protection measures (Section 29.22).
-

Time shifting for later listening or viewing – recording television, radio and Internet broadcasts for later viewing or listening. This provision excludes on-demand or streamed content, as well as content protected by a digital lock or other technological protection measures (Section 29.23).

- Non-commercial user-generated content/mash-ups – integrating legally obtained copyrighted content into user-generated creations. This provision applies under specific conditions: the mash-up should not serve as a replacement for the original material, must not be crafted for commercial profit and should not significantly harm the markets for the copyrighted work or the creator's reputation. An example would be sharing a music blend of two artists on a social networking site, so long as the user-generated work doesn't fall within the exceptions mentioned earlier (Section 29.21).

Beyond the Copyright Act, Canada lacks dedicated legislation that targets the online trade of counterfeit goods. To remove counterfeit goods, rights holders submit takedown requests directly to the ISP, registrar, third-party marketplaces, or social media platforms.

THE CANADIAN ANTI-FRAUD CENTRE: PAYMENT PROCESSING

The Canadian Anti-Fraud Centre (CAFC), which is cooperatively overseen by the Royal Canadian Mounted Police, the Ontario Provincial Police and the Competition Bureau, includes among its mandates the prevention of the illicit online sale of counterfeit goods. In 2023, approximately 63,000 reports of fraud were processed by the CAFC from approximately 42,000 victims claiming approximately \$570 million lost in total. From 2021 to 2023, the CAFC helped recover approximately \$6.7 million. [\[11\]](#)

Canadians who buy counterfeit goods are advised to reach out to their credit card issuer and seek a refund through their counterfeit protection policy. The chargebacks that follow play a crucial role in identifying and shutting down counterfeit merchant accounts across banks and payment processors globally.

DOMAIN NAME DISPUTE RESOLUTION

A rights holder can file a complaint under the Canadian Internet Registration Authority's Domain Name Dispute Resolution Policy against the registrant of a domain name if the rights holder can prove their rights in a trademark to which the domain name is confusingly similar, the registrant has no legitimate interest in the domain name and the domain name was registered in bad faith.

The Canadian International Internet Dispute Resolution Centre (CIIDRC) is the first in Canada to provide resolution of domain name disputes under both the Uniform Domain Name Dispute Resolution Policy (the UDRP) and the CIRA Domain Name Dispute Resolution Policy (the CDRP). [\[12\]](#)

PREVENTIVE MEASURES/STRATEGIES

Canada does not have a national IP law enforcement coordination body. Instead, anti-counterfeit enforcement remains largely the responsibility of individual rights holders who must police the market, enforce their rights through civil enforcement and comprehensive licensing agreements, register their rights with Customs via the RFA programme, train and cooperate with law enforcement and customs, share best practices

with others and continually raise awareness about the perils of trafficking in counterfeit goods.

THE YEAR 2023 AND BEYOND

Counterfeiters are employing increasingly sophisticated tactics to evade detection, which exacerbates the challenges faced by brand owners. In this dynamic environment, 2023 saw substantial strengthening of the civil remedies available to rights holders combating the importation and sale of counterfeit products. In particular, the jurisprudence in 2023 included an express reaffirmation of compensatory damages as an appropriate remedy in the context of counterfeiting cases, as well as an affirmation that courts are willing to tailor traditional remedies to redress the new reality of the online marketplace and the evasive counterfeiter. Rights holders' desire for creative and effective solutions defined 2023 and should serve as a springboard to continued and impactful civil enforcement.

Brand owners, associations and others involved in anti-counterfeiting in Canada also remain committed to urging and assisting government representatives in taking steps to fund and mandate law enforcement, Customs and prosecutors to increase the effort to prevent counterfeiting and piracy from continuing to grow in Canada, and to urge government to support the development of a national program to protect both the economy and Canadians the public from piracy, fraud, and counterfeiting activities.

In addition, those rights holders who have filed RFAs with Customs remain committed to helping detain counterfeit or pirated shipments of products that bear unauthorised reproductions of their IP rights. This is evidenced by the fact that over 90% of RFA registrants who were notified by Customs of suspected counterfeit goods and/or pirated works pursued a civil remedy. However, concern over declining detentions at the Canadian border requires immediate and active rectification. Advocacy by brand owners and anti-counterfeiting organisations must strive to reinvigorate engagement by Customs in the RFA programme. The absence of effective IP rights protection at the border impedes the ability of the Canadians to rely on the integrity of the IP rights regime and disincentivises investment from trading partners.

Finally, in May 2023, the RCMP launched the Transparency and Trust Strategy on the Open Government Portal to increase public safety transparency and 'open government' practices.^[13] Among other things, the RCMP is committing to engaging in 'citizen participation' and creating a 'constructive two-way dialogue between the RCMP and the interested partners, stakeholders and citizens which results in better policies, programs and services for Canadians ... including ... activities to inform, consult, involve and collaborate in the development of RCMP services, policies, priorities, etc'. It is also committed to providing quarterly updates, including valuable information for the policing of IP rights in Canada.

We remain optimistic that brand owners and organisations who are committed to combating the trade in counterfeit goods and pirated works will participate in this 'constructive two-way dialogue' to inform policy, improve funding and increase enforcement around anti-counterfeiting measures, for the benefit of all Canadians.

ENDNOTES

[1] [Canada: Anti-counterfeiting Chapter 2022 - World Trademark Review](#), reported there were 366 registrants in the RFA programme.

[2] <https://www.brianmasse.ca/wp-content/uploads/2024/06/CBSA-RFA-Program-1-Pager.pdf>

[3] <https://ised-isde.canada.ca/site/canadian-intellectual-property-office/en/canadian-intellectual-property-statistics/trademark-statistics-2022-2023>.

[4] [2023 Special 301 Report.pdf \(ustr.gov\)](#), page 73.

[5] Canada is also included in the 2023 Review of Notorious Markets for Counterfeiting and Piracy. The report identifies the Pacific Mall as a notorious market for counterfeit luxury goods. It states that 'Toronto Right holders report that the level of counterfeit goods offered for sale at Pacific Mall has continued to increase, with Pacific Mall management not taking the necessary measures against sellers and law enforcement not prioritizing actions against counterfeit trade'.

[6] [Memorandum D19-4-3 - Copyright, Trademarks and Geographical Indications \(cbsa-asfc.gc.ca\)](#).

[7] [Memorandum D19-4-3 - Copyright, Trademarks and Geographical Indications \(cbsa-asfc.gc.ca\)](#), at Appendix C.

[8] [Customs Notice 17-27 - Reporting of Counterfeit or Pirated Goods that are Dangerous \(cbsa-asfc.gc.ca\)](#).

[9] Based on a recent 2023 decision of the Federal Courts, sellers of counterfeit goods have evolved to online commercial businesses operating through social media websites. In examining the realities of the online commercial businesses operating through social media websites the court determined that it fell within the parameters of a fixed retail seller.

[10] Canada Consumer Product Safety Act, ss. 21–22.

[11] <https://antifraudcentre-centreantifraude.ca/index-eng.htm>.

[12] [Home - Canadian International Internet Dispute Resolution Centre \(ciidrc.org\)](#).

[13] https://open.canada.ca/data/dataset/40b50513-1356-4211-ae08-53580dbd32fa/resource/5ccfbb4d-5b57-4f71-9cd9-71f7b44a4404/download/rcmp_23-075_open-governement-strategy_e_acc.pdf.



Georgina Danzig
Annette Latoszewska
Stephano Salani

25 Adelaide Street East, Suite 1000, Toronto, ON, M5C 3A1, Canada

Tel: 416-546-7303

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China: Multi-pronged approach proves best fit to tackle rise in counterfeits

[Alan Chiu](#), [James Choi](#) and [Nicole Huo](#)

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LEGAL FRAMEWORK

With the proliferation of e-commerce and the platform economy, Internet sales in counterfeits from China have exploded in recent years. China is estimated to produce 80% of the world's counterfeits,^[1] and together with Hong Kong, accounted for 75% of the value of counterfeit and pirated goods seized by US Customs and Border Protection in 2021.^[2] Continued growth in the counterfeiting industry is anticipated. In China's legal system, the administrative bodies, the Public Security Bureau and the judiciary have overlapping authority to enforce against counterfeiting. While rights holders can choose which enforcement avenue to engage first, China is now further promoting the 'three-in-one' trial reform of intellectual property rights to improve collaboration and build a more comprehensive system of protection. This is a combination of (i) civil litigation, (ii) criminal investigation and litigation, and (iii) administrative investigation and prosecution.

ENHANCEMENT OF IP LAWS AND REGULATIONS ON MULTIPLE LEVELS

In recent years, China has placed specific emphasis on strengthening the nation's IP infrastructure. In July 2023, the Inter-ministerial Joint Conference Office for the Implementation of the Intellectual Property Strategy of the State Council released the 2023 Outline for Building a Powerful Intellectual Property Nation and the Implementation Promotion Plan of the '14th Five-Year Plan'. This document puts forward a system for various departments to improve the IP system on multiple levels and sets out plans for joint efforts against infringement and counterfeiting.

In 2023, the Supreme People's Court issued a decision to amend the Regulations of the Supreme People's Court on Several Issues Concerning Intellectual Property Courts. Under this amendment, the Intellectual Property Courts may require parties to disclose the ownership, infringement, authorisation and confirmation of IP rights involved in their case and other related cases. If a party refuses to provide full and frank disclosure, this can be taken into consideration when determining whether it has followed the principle of good faith and whether its actions constitute an abuse of rights.

In June 2023, the State Administration for Market Regulation issued the Regulations on Prohibiting the Abuse of Intellectual Property Rights to Exclude or Restrict Competition. With the overarching aim of promoting competition and innovation and in line with Article 55 of the China Anti-Monopoly Law, these provisions prohibit the abuse of IP rights to exclude or restrict competition, such as by entering into monopolistic agreements or abusing a dominant market position. In March 2023, the State Intellectual Property Office issued the Notice on Issuing the National Intellectual Property Administrative Protection Work Plan for 2023. This sets out a plan to strengthen IP protection nationwide and build a world-class innovation and business environment. It specifies certain 'key areas' for strengthened protection, including overseas IP protection, IP in major events such as exhibitions and sporting competitions, and e-commerce platforms. It also calls for the promotion of public awareness of IP protection nationwide. The 2023 Guidelines for Assistance in Intellectual Property Rights Protection issued by the State Intellectual Property Office set out enhanced directions to IP rights protection assistance centres. There are currently over 1,300 of these assistance centres across the country. Volunteers from universities, research institutes and judicial agencies assist with IP issues and raise public awareness through hotlines, publicity activities and online rights protection platforms.

STRENGTHENING ADMINISTRATIVE AND JUDICIAL ENFORCEMENT

In August 2023, the State Administration for Market Regulation issued the Opinions on Strengthening the Enforcement of Intellectual Property Rights in the New Era. This document addressed the latest trends in infringement and counterfeiting activities and highlighted certain focus areas for enforcement. It recognised that infringement is now increasingly characterised by online and offline integration and cross-regional operations, and set out measures to combat this. It emphasised online enforcement efforts and focuses on key markets and commonly counterfeited products including food and medicine, electronic products, household appliances, auto parts, clothing and bags.

BORDER MEASURES

The General Administration of Customs facilitates the enforcement of IP rights in respect of imports and exports crossing the PRC border in accordance with the Regulations of the People's Republic of China on Customs Protection of Intellectual Property Rights and related legislation. Customs tackles IP-infringing goods at the border, either on its own initiative (known as the ex officio protection model) or at the request of the rights holders (known as the passive protection model). In the latter case, right holders must provide intelligence to Customs for further investigation and consideration.

EX OFFICIO PROTECTION

To benefit from ex officio Customs enforcement, rights holders must complete the Customs recordal process. Recordal is available for PRC trademarks; copyright works; and China National Intellectual Property Administration issued invention patents, utility models and design patents. A certificate of recordal is valid for 10 years and is renewable for a further 10-year period, provided that the subject IP right is still valid and subsisting.

Customs periodically inspects imported and exported goods and detains suspicious shipments. Upon the seizure of potentially infringing goods based on a corresponding IP recordal, Customs will notify the right holder by written notice (usually accompanied by photos of the suspected counterfeit goods), giving them a short period (generally within three working days) to confirm whether the goods are genuine or counterfeit. The rights holder is required to submit a signed affidavit to confirm the verification result. If the goods are found to be counterfeit and the rights holder demands Customs take seizure action, the rights holder is required to pay a security bond (proportionate to the value of seized goods, or it can be substituted by a general bank guarantee serving as a revolving bond arrangement). Customs will then initiate their investigation.

The time limit for the Customs investigation set out in the regulations is 30 working days from the date of seizure. In practice, this limit can be extended, so rights holders should communicate closely with Customs on progress. When the investigation is closed, Customs will make one of three determinations:

- the goods are infringing: the goods will then be confiscated, a fine will be imposed (NB: such a fine may be offset from the storage bond provided by the goods holder), and if the volume of infringing goods is large and reaches the criminal level, the case may be transferred to the Public Security Bureau for criminal prosecution;
- the goods are not infringing: the goods will be released and the storage bond (if so provided) will be refunded; or
-

Customs is unable to determine whether the goods are infringing: Customs will release the goods if it does not receive any enforcement assistance notice from a People's Court within 50 working days of the seizure.

Unlike most methods of law enforcement in which rights holders take the initiative, the ex officio protection model is wholly initiated by Customs. Statistically, over 90% of customs seizure cases are dealt with under this model.

PASSIVE PROTECTION

Rights holders can also provide intelligence and investigative leads to Customs (such as goods and brand(s) involved as well as shipment details) and submit a request to Customs to seize imported or exported goods that are suspected of infringement. Upon seizure, the rights holder will have 20 days to file a lawsuit at the local People's Court with respect to the suspected infringement. If Customs receives the Court's notice of assistance in enforcement within this period, they will transfer the goods to the court; if not, they will release the goods. Customs recordal is technically not a pre-requisite for this enforcement route, but in practice, it is the only reliable way to get sustained support and protection from Customs.

RECENT CUSTOMS OPERATIONS

In 2023, Customs launched a series of special enforcement operations such as 'Operation Dragon' for comprehensive IP protection, 'Operation Blue Net' in respect of delivery channels and 'Operation Clean Net' in respect of exported transshipment goods. In 2023, Customs officials across the country seized 62,000 batches of suspicious imports and exports, comprising over 80 million individual items.

CRIMINAL PROSECUTION

The Public Security Bureau enforces against infringement and counterfeiting crimes severely, including in technical, public security, cultural and business fields. It establishes and improves working mechanisms such as intelligence reporting, case transfer and information sharing with administrative law enforcement departments.

Criminal offences set out in the Criminal Law include counterfeiting, the sale of goods bearing a counterfeited trademark and infringement of copyright with the purpose of making a profit. The Public Security Bureau will take into consideration the seriousness and scale of the activities in question when they launch criminal investigations and action. The national criminal prosecution service is led by the Supreme People's Procuratorate. The benefits of criminal prosecution include the possibility of deterrent sentences such as fines and incarceration, the right of rights holders to initiate prosecution and potentially lower costs compared to civil litigation. There is a high incentive to comply with court orders, as China implements a social credit system that penalises judgment defaulters. Under the Supreme People's Court's Regulations Concerning Publishing Name List Information of Persons Subject to Enforcement for Trust-Breaking, if a person or corporation fails to "consciously implement" the obligations set out in legal documents (eg, a court order), their name may be put on the publicly available 'List of Judgment Defaulters'. Various credit punishments may be imposed. For example, companies on the list may be prohibited from issuing shares, and individuals may be restricted from first-class rail and air travel. The purchase of products "not necessary for life or work", such as private vehicles, may also be restricted. Parents on the list who have children attending high-fee schools may also be prohibited from using their personal assets to pay school fees.

RECENT CRIMINAL CASES

In 2023, public security organs filed and investigated 40,000 criminal cases of infringement of IP rights and the production and sale of counterfeit goods, including over 150 cases relating to technical fields. They cracked down on crimes such as patent counterfeiting and infringement of trade secrets, and investigated over 1,300 criminal cases involving pirated items such as books, movies and software.

In light of the 'three-in-one' trial reform of IP rights mentioned above, there is also a trend for local procuratorates to allow owners of IP rights being infringed to file a civil claim for damages against the accused. These will be determined at the criminal trial in order to save the time and costs of both parties and the judiciary.

CRIMINAL ACTION IN RESPECT OF ADMINISTRATIVE AND CIVIL CASES

If evidence of criminal activity surfaces in an administrative, civil or Customs case, it will be transferred to public security organs (such as the Ministry of Public Security) for criminal prosecution. Such a mechanism is expressly provided for in the Regulations of the Supreme People's Court on Several Issues Involving Suspects of Economic Crimes in the Trial of Economic Dispute Cases and the Regulations on the Transfer of Suspected Criminal Cases by Administrative Law Enforcement Agencies.

CIVIL ENFORCEMENT

There are two branches of IP enforcement routes in China other than criminal prosecution, namely administrative action and civil litigation. The two channels can be engaged in sequence, generally following the order of (i) investigation, (ii) evidence preservation, (iii) administrative investigation and action, (iv) lawyer's warning letter, and (v) filing a civil lawsuit.

ADMINISTRATIVE ACTION

China's administrative law enforcement system includes Customs and other administrative authorities.

The State Administration for Market Regulation (SAMR) regulates all commercial activities in China, including IP protection and enforcement. All business entities must register with a local branch of the SAMR, known as a Market Supervision Bureau (MSB), to obtain their business licence. MSBs generally have the power to conduct raids and seize counterfeit goods and associated production equipment.

Although MSBs have investigatory powers, in practice, they often do not have the resources to conduct in-depth investigations. Rights holders therefore usually engage private investigators to find out about the background and scale of the infringement, the source of the infringing products and the location of factories and warehouses. Once sufficient information has been uncovered, the rights holder can request the MSB to conduct an administrative raid. In trademark counterfeiting cases, the rights holder is required to produce the relevant trademark certificate(s) as proof of rights. If the application is accepted, MSB officials will go with the rights holder's representative directly to the counterfeiter's location. The MSB relies on the rights holder to verify the authenticity of any suspected infringing products. In a confirmed infringement case, the MSB will seize all infringing products and equipment used to produce such infringing products at the premises. It can order the infringer to stop their infringing conduct and pay a fine to the MSB.

The benefits of pursuing administrative enforcement through the MSBs include the relatively low cost, the easy accessibility and the possibility of obtaining prompt relief. The latter is particularly valuable as it is relatively difficult to obtain a pre-trial or interlocutory injunction through the Chinese courts. However, a major drawback is that the fines imposed are often so low that they rarely create a deterrent effect. Any fines imposed are paid to the MSB and not to the affected rights holders. Administrative relief is also geographically constrained in that any injunctions imposed are limited to the jurisdiction of the particular MSB involved.

Despite these drawbacks, administrative enforcement through the MSBs remains a popular option for brand owners. China's market regulatory authorities dealt with more than 420,000 IP enforcement cases between January to September 2023, including 29,800 trade mark counterfeiting and patent infringement cases. About 19,800 enforcement actions were carried out against key physical markets with a high incidence of infringement and counterfeiting.

CIVIL LITIGATION

Through civil litigation, rights holders can potentially obtain recourse through monetary compensation and permanent injunctions that are enforceable nationwide. The judiciary has become more robust in awarding monetary damages to indemnify both the IP owner's financial losses and its enforcement costs. Civil IP cases can be heard at first instance by courts of the local province or municipality, Intermediate People's Courts, or one of the specialist IP courts and tribunals. As of mid-2023, there were four IP courts (Beijing, Guangzhou, Shanghai and Hainan) and 27 cross-regional IP tribunals. Specialist IP courts generally have more sophisticated expertise in IP matters. They also have jurisdictions to review first-instance judgments made by basic-level courts in respect of copyright, trademarks and unfair competition within their territorial jurisdiction. Appeals on patents, technical secrets and computer software can be made to the National Appellate Intellectual Property Court within the Supreme People's Court in Beijing. Appeals involving trademarks, non-software copyright cases or non-technical trade secrets are heard by municipal and provincial appeal courts.

According to the key data on judicial trial work released by the Supreme People's Court, 371,000 first-instance IP cases were accepted between January to September 2023, representing a year-on-year increase of 1.61%. Among them were 6,725 new cases involving computer software copyright infringement disputes, more than twice the volume of the previous year. China has placed an increased emphasis on the protection of technological IP rights. In 2023, the State Intellectual Property Office and the Ministry of Justice jointly issued the Opinions on Strengthening the Administrative Judgment of Patent Infringement Disputes in the New Era to strengthen the capacity of administrative adjudication of patent infringement disputes.

Other recent developments have also made it easier for foreign entities to participate in PRC litigation. China joined the Hague authentication system in November 2023, simplifying the authentication process for the use of foreign documents in PRC litigation. Now the documentary prerequisites can be satisfied through the apostille process completed in the document's country of origin. Previously, each document had to undergo a certification process by a notary or other government organisation in the document's country of origin, followed by legalisation by a Chinese embassy or consulate in the same country. The former process was often slow and expensive and carried a risk of documents being refused for legalisation at the embassy level.

With advances in technology, the cost of evidence preservation has been greatly reduced. More and more Chinese courts recognise time-stamped evidence as a supplement to notarised evidence. Further, several notaries in China now accept electronic notarisation too, through which online copyright works and websites can be stored on cloud storage through blockchain technology and notarised in a paperless manner.

Downsides to the civil litigation system include the higher costs (although these are still lower than in most jurisdictions around the world) and traditionally low damages awards. Counterfeiters often operate under false names and identities, absconding as soon as they are targeted. Though enforcement of court judgments is a lot easier than before and the overall rate of compliance with court orders is increasing, successful litigants sometimes still face difficulties in enforcing favourable judgments.

CIVIL LITIGATION INCIDENTAL TO CRIMINAL OFFENCES

As mentioned above, China has been promoting the trial of both criminal cases and civil claims together. The judgment of the Xiong Sizhuan case, one of the Supreme People's Court's 50 Typical Cases of Judicial Protection of IP Rights in Chinese Courts published in 2021, clearly supported the concept that victims of IP crimes can file incidental civil lawsuits. It also laid down guidelines on the standard of proof that should be applied in these cases. In such instances, infringers may be more willing to settle and voluntarily pay compensation due to pressure from the criminal proceedings. At the same time, the court may view the defendant's compensation payment as evidence of remorse and take this into account when sentencing.

ANTI-COUNTERFEITING ONLINE

RESPONSIBILITIES OF ONLINE PLATFORMS

Major Chinese online platforms offer online portals for IP rights holders to record their rights and file takedown requests. In the interest of maintaining a favourable business environment, China applies the 'Safe Harbor Principle' and the 'Red Flag Principle' to identify the responsibilities of online platforms in infringement cases. The Safe Harbour Principle dictates that where online infringement occurs, the platform does not bear any liability if it takes necessary measures in accordance with the law and promptly after receiving notice from the rights holder. Under the Red Flag Principle, platforms that choose to turn a blind eye to obvious infringements should bear legal liabilities. In recent years, China has been placing greater emphasis on the responsibility of platforms, and has become more wary of over-applying the 'Safe Harbor Principle'.

In recent cases, the Chinese courts laid down the principle that if the platform fails to exercise reasonable care – failing to prevent further infringement when it 'should have known' – this will constitute contributory infringement, resulting in joint liability. Chinese courts have taken the approach that it is not appropriate to adopt overly stringent fixed standards in these cases, and that whether a platform operator has fulfilled its reasonable duty of care should be assessed holistically. The court will typically consider whether the platform has: (i) established a complaint and reporting mechanism, (ii) promptly taken action after receiving an infringement report and (iii) actively assisted rights holders in safeguarding their rights.

VIDEO E-COMMERCE AND COPYRIGHT ISSUES

The proliferation of the short-form video and livestreaming e-commerce industries has changed the way that brands engage and sell to Chinese customers. It has also led to a rise in associated copyright disputes. In these cases, injured parties are rarely sufficiently compensated for their losses through damages awarded by the Chinese courts. As IP rights are intangible, it can be difficult to establish a causal relationship between loss and infringement. Often the compensated amount does not cover or is otherwise disproportionate to the costs of investigation and enforcement. In response, China is currently exploring a licensing mechanism to promote win-win cooperation in the long and short-form video content industries. It is exploring the possibility of an online copyright licensing cooperation model, either through sharing agreements between collaborating parties or through the intervention of a collective copyright management organisation.

PREVENTIVE MEASURES AND STRATEGIES

The following strategies are generally recommended to enhance the protection of IP rights in China:

LAY A SOLID FOUNDATION FOR RIGHTS PROTECTION BY PROPERLY MANAGING AND MAINTAINING IP RIGHTS PORTFOLIOS

It is advisable to select certain product lines for targeted IP protection. These can be the most counterfeited products or the most representative brands. It is also useful to review past cases of infringement and assess whether any gaps can be filled by additional IP rights applications (eg, if a trademark filing is blocked by a bad faith trademark registration, try to secure copyright registration, if possible, for some form of protection first before you manage to invalidate the bad faith trademark registration, which may take years if the squatter is defensive). Consider also how best to structure and present each application; for example, in a copyright registration, consider the form of the application and the selection of samples.

REGULARLY MONITOR THIRD-PARTY TRADEMARK REGISTRATION APPLICATIONS

China adopts the first-to-file principle, though the government has recently proposed significant amendments to the PRC Trade Mark Law with a strong focus on use requirements. It is important to spot suspicious or bad faith trademark applications and oppose them in good time. Suspicious trademark applications can also be clues to potential infringement. Once such applications are found, it is worthwhile conducting internet searches and investigations to assess whether there is any malicious intent behind them, and to seek appropriate legal advice as needed.

MAINTAIN INDUSTRY AWARENESS

In this fast-changing world, it is important to stay abreast of industry updates, get connected with the local IP or brand protection associations and maintain close working relationships with local administrative departments and Customs. This can be helpful when deciding on the best avenue for IP rights enforcement.

EMBRACE DATA ANALYTICS

Data analytics can be deployed to collect data from e-commerce platforms and to monitor infringement patterns, including parallel imports. The data that is collected may also be used to facilitate online IP enforcement work and can even be presented as evidence of infringement proceeds in civil and criminal cases.

CONNECT AND COOPERATE WITH ONLINE PLATFORM OPERATORS

Before entering the Chinese e-commerce market, rights holders should negotiate with their chosen platforms and agree on an overall brand protection strategy. For example, they may agree on the platform's responsibility to conduct regular monitoring, clean up infringing posts or provide dedicated contact channels.

ENDNOTES

[1] 'How to create a robust anti-counterfeiting programme', World Trademark Review, 3 October 2023, <https://www.worldtrademarkreview.com/guide/anti-counterfeiting-and-online-brand-enforcement/2023/article/how-create-robust-online-anti-counterfeiting-programme/>.

[2] [https://ustr.gov/sites/default/files/2023-01/2022/Notorious-Markets_List_\(final\).pdf](https://ustr.gov/sites/default/files/2023-01/2022/Notorious-Markets_List_(final).pdf).

ELLALAN

Alan Chiu
James Choi
Nicole Huo

alan.chiu@ellalan.com
james.choi@ellalan.com
nicole.huo@ellalan.com

Rooms 1505-1506, R&F Yingkai Square, 16 Huaxia Road, Tianhe District, Guangzhou,
Guangdong Province 510623 PRC , China

Tel: +86 208758 6146

<https://www.ellalan.com/>

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

Reinhard Fischer and Tamara Moll

COHAUSZ & FLORACK

Summary

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PREVENTIVE MEASURES/STRATEGIES

LEGAL FRAMEWORK

The national German legislation is based broadly on EU directives. 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.

Also considered are international treaties to which Germany is a contracting party, such as the Paris Convention.

In case of virtually identical lookalikes (ie, 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, Customs 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 their 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 they are committed by organised crime or on a commercial scale, such violations are normally only prosecuted if the aggrieved party files a criminal complaint. If the violation is committed by organised crime or on a commercial scale, however, it 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 for 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 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 it may be beneficial to start criminal proceedings in order to gain access to the factual findings. Criminal investigations can be slow and may end without a trial following the infringer's payment of an accepted amount, either because public interest is lacking or as the result of a plea bargain.

CIVIL ENFORCEMENT

German infringers may always be sued at their legal seat or, alternatively, at the place where the tort is being committed (this alternative is not available under the Trade Secrets Act). Infringers with 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). The above-mentioned acts provide either directly or indirectly (via authorisation of the German Federal States to issue such regulations, which was partly exercised) for ratio materiae jurisdiction of specialised courts.

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 the 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 within a few days. However, recent case law has strengthened the defendant's right to be heard. This makes it relatively likely for courts to exercise their discretion and order oral hearings to take place and grant abbreviated deadlines for written argument. This is particularly so if the defendant has had no chance to present their arguments out of court or within a protective letter. As a result, it has become more common to hold a hearing before the decision is made.

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

Issuing 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 acted, the courts will reject an application for a preliminary injunction due to a lack of urgency. (This period is not legally defined, but it is recommended that the request for the injunction be filed within one month of learning of the relevant facts.)

An 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 affidavits are usually admissible in preliminary proceedings. On rare occasions the court may 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 to judge 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 they suffered as a result of enforcing the measure or for providing security by the opponent to avert the enforcement or to repeal the measure.

Consequently, since a preliminary injunction generally obliges the respondent 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.

In preliminary ex parte measures only some of the available remedies are admissible. This includes in particular injunctive relief that comprises an order to cease and desist, but also includes urgent sequestrations and claims for the 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. Courts can order such substantive proceedings at the infringer's request. The court then sets a deadline for initiating 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 settlement 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. These 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 claims if it considers the IP right to be legally invalid unless such a 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 regarding a cease and desist order.

There are two instances of substantial proceedings. In the first, the court usually issues a decision within one or two years, which can then be appealed. In the second, 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, the court can impose a fine on the infringer at the request of the claimant, provided that the injunction contains 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 to 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 undertake to cease and desist providing for an appropriate penalty in case of a future violation, 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 present only 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 that infringe 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 above-mentioned provisions concerning 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. Under 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 to establish 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 through 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 knew of the trademark infringement. Pursuing the platform operator may be a more practical approach to effectively combat trademark infringements, particularly when the third-party sellers are located abroad.

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.

Regarding 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 in how to recognise counterfeit products.

COHAUSZ & FLORACK

Reinhard Fischer
Tamara Moll

rfischer@cohausz-florack.de
tmoll@cohausz-florack.de

Bleichstrasse 14, Dusseldorf D-40211, Germany

Tel: +49 211 90 490 0

<http://www.cohausz-florack.de/en>

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Greece: Collaboration and enforcement actions needed to handle surge in digital and offline fakes

Miranda Theodoridou and Stavroula Politi

Dr Helen G Papaconstantinou and Partners Law Firm

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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/EaC) 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 the 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;
- EU Regulation 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);
- 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; and
- Law 5099/2024 on the adoption of measures to implement the Regulation (EU) 2022/2065 of the European Parliament and of the Council of 19 October 2022 on a Single Market for Digital Services and amending Directive 2000/31/ EC (the Digital Services Act).

NATIONAL CONTEXT

Greece is a significant hub for the illicit trade of counterfeit and pirated goods, primarily due to its strategic geographical location. As one of the major EU countries serving as a transit point for goods entering mainland Europe, and with its extended tourist season attracting a substantial influx of visitors, the country has maintained its allure for such activities. From the bustling streets of Athens and Thessaloniki to the popular and highly visited islands, the shadow of counterfeit goods looms large, infiltrating every corner of consumer life.

In recent years, there has been a notable increase in counterfeiting, driven by the rapid expansion of the digital world during the COVID-19 pandemic, resulting in a complex network of illicit trade deeply rooted within Greek society. Whether luxury handbags being sold in tourist markets or fake cosmetics and pharmaceuticals being sold online, counterfeit goods have become widespread, enticing unsuspecting consumers with the promise of

authenticity at discounted prices. Additionally, significant quantities of counterfeit spirits and tobacco products are finding their way into entertainment venues.

However, beneath the surface of seemingly harmless transactions lie numerous consequences. Legitimate businesses endure substantial financial losses as counterfeit products undermine their market share and tarnish their reputation. Furthermore, the proliferation of counterfeit goods poses serious risks to public health and safety, as counterfeit pharmaceuticals, cosmetics and electronics often fail to meet safety standards, putting consumers at risk.

Counterfeit and pirated products are transported through various means within Greek territory, but sea transport stands out as the primary channel for introducing counterfeits into the Greek market. The ports of Piraeus and Thessaloniki serve as major entry points, with container ships carrying the largest volume of counterfeit goods. The Third Customs Office of Piraeus and the First Customs Office of Thessaloniki consistently report the highest number of detentions in terms of both quantity and estimated value of seized items.

Furthermore, Eleftherios Venizelos Airport Customs records a significant number of detentions, especially of small parcels and shipments originating from online sales, commonly transported by air. Nonetheless, it is noteworthy that this customs office reported significant seizures of large consignments beyond the small parcels in the first quarter of 2024.

Customs offices at Greek land borders, such as Kipoi in Evros, Promahona in Serres and Kakavia in Ioannina, also frequently report substantial detentions in terms of the number of seized items. They consistently intercept counterfeit goods originating from Turkey and intended for transfer to Balkan countries, effectively halting their land transportation.

BORDER MEASURES

Regulation 608/2013 is directly applicable in Greece. Since no national border law exists, this sets out the domestic customs intervention procedure. 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. It is complemented by the Union Customs Code, which outlines the basic principles regarding clearance and control of goods crossing the external border of the European Union.

Customs authorities suspend the release of suspected counterfeit goods following a national or EU application for action (AFA) by the rights 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.

Since 13 December 2021, rights holders or their legal representatives have been required to electronically file and manage their AFAs via the IP Enforcement Portal (IPEP). All correspondence regarding AFAs, including granted decisions, is electronically communicated to rights holders or their legal representatives through their IPEP account. It is important to note that the Greek Customs Authority strongly advises rights holders to transition from their current paper-based AFAs to electronic ones filed through IPEP, as any modifications to existing paper AFAs must be made in hard copy.

With the Greek Customs Authority transitioning to electronic management of the AFAs, the traditional practice of sending hard copies regarding the annual extension of EU AFAs to the holder's local representative has been discontinued. Consequently, rights holders

must inform their local representatives about the annual extension of their AFAs and any associated amendments (such as additions of involved IP rights) to prevent potential miscommunications and/or delays in customs seizures.

IPEP also allows rights holders to furnish customs authorities (and other enforcement agencies) with important information for counterfeit identification. This includes the contact details of rights holders and supplementary product details and materials (eg, photos of genuine and counterfeit products) to help customs authorities in inspections. Customs authorities may intervene ex officio and without any active customs intervention decision when they suspect that goods may infringe on an IP right. In these cases, 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. If it is not, the goods will be released.

Immediately after the release of the goods has been suspended, Customs inform the rights 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 rights holder is entitled to inspect the goods in situ or a related sample may be obtained.

The rights 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 submitted to the Customs in a timely fashion, 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, 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 consistently applied the simplified procedure under the previous Regulation 1383/2003. Under 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 to 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 does 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) – that extends 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 applies to infringing marks that are identical to or cannot be distinguished in their essential aspects from the registered mark. The 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.

The emphasis of Law 4712/2020 is tackling the illicit trade in goods and services in the internal market. It therefore 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).

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 rights 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 rights holder.
- The rights 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 rights holder's declaration, concludes whether an IP right has been infringed. If such a 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 rights holder, and within three days of the notification the seized items are destroyed. The rights 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 have been 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 has proved valuable 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 rights 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 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 rights 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 of these 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 rights holder – including loss of profits and profits made by the infringer – are taken into account. Damages may also be calculated based on hypothetical royalties.

The rights 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.

When filing the petition for injunction, the rights 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 introduces a compulsory initial mediation session before the courts prior to the hearing of cases arising from patent, trademark and industrial design infringements. This session, along with proof of the lawyer's compliance with the obligation to inform the client in writing about the option of mediation, has become a prerequisite for the admissibility of a main infringement action under the new provisions.

ANTI-COUNTERFEITING ONLINE

The surge in e-commerce has fostered a more conducive environment for the sale of counterfeit goods. The main threats that Greek consumers must deal with primarily stem from:

- online marketplaces;
- social media platforms; and
- fraudulent domain names.

The ever-evolving rise of online marketplaces and social media platforms has significantly fuelled the trade in counterfeit goods. While offering access to genuine products, these platforms also harbour unscrupulous sellers peddling fake items. Despite efforts to combat counterfeiting, seller anonymity and the vast number of listings pose persistent challenges. Social media giants like Facebook, Instagram and TikTok have become hotbeds for counterfeit sales, leveraging viral content and influencer endorsements. Additionally, fraudulent domain names play a pivotal role, mimicking legitimate stores and deceiving consumers with attractive prices.

Amid the ongoing challenges presented by digital environments, there has been a pressing need to update the legal framework overseeing intermediary services, resulting in the enactment of the EU Digital Services Act (DSA). This legislation seeks to modernise regulations concerning online intermediary services by focusing on accountability, transparency and user protection. Its essential elements comprise enhanced content moderation regulations, transparency requirements for platforms, strategies to tackle illicit content and mechanisms for user recourse.

Law 5099/2024 came into effect on 5 April 2024. This law integrates the EU DSA into Greek legislation. It appoints the Hellenic Telecommunications and Post Commission (EETT) as Greece's Digital Services Coordinator, with additional supervision responsibilities delegated to the National Council for Radio and Television (NCRTV) and the Hellenic Data Protection Authority (HDPA).

EETT is tasked with the following:

- enforcing the DSA at a national level;
- contributing to the European Board of Digital Services;
- collaborating with authorities and public bodies;
- conducting audits and information requests;
- ensuring DSA compliance;
- handling complaints against intermediary service providers; issuing annual reports; and
- imposing supervisory fees.

Law 5099/2024 also appoints the Hellenic Police's Cyber Crime Division as the authority for notifications of suspicions of criminal offences as outlined in Article 18 of the DSA. It is important to mention that EETT must create a Registry of intermediary service providers in Greece within six months of the Law coming into effect (ie, by 5 October 2024).

The EU DSA and Law 5099/2024 are expected to notably influence the fight against online counterfeiting, but their lasting effectiveness remains to be assessed.

In addition, rights holders may request the blocking of illicit online content under Articles 11 and 13 of Presidential Decree 131/2003, which implements the e-Commerce Directive (2000/31/EC), upon becoming aware of infringing activity.

Regarding online copyright infringement, Article 66E of the Greek Copyright Law introduced a swift extrajudicial process akin to a 'notice and takedown' procedure for online copyright infringement. Rights holders, including collective management organizations, can submit applications to the ad hoc Committee for the Notification of Copyright and Related Rights Infringement on the Internet. If infringement is confirmed, the Committee notifies ISPs and possibly hosting providers and website administrators or owners to remove or disable access to the infringing content. Additionally, Article 64A allows rights holders to seek injunctions against ISPs facilitating copyright infringement by third parties. 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 apply to 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 introduced a new directorate under the interdepartmental market control unit, tasked with monitoring e-commerce. Its duties encompass investigating complaints about online illicit trade and collaborating with enforcement agencies. If online infringement is confirmed, the directorate can request the deactivation of relevant websites from EETT. It may also involve Hellenic Police's Cyber Crime Division for additional 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 AND 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 are 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 rights 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 rights holder with zero tolerance.



DR HELEN G.
PAPACONSTANTINO
& PARTNERS
LAW FIRM

Miranda Theodoridou
Stavroula Politi

m_theodoridou@hplaw.biz
s_politi@hplaw.biz

2 Coumbari Street, Kolonaki, Athens 10674, Greece

Tel: +30 210 362 5757

<http://www.hplaw.biz>

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Hong Kong: How customs is boosting enforcement

[Alan Chiu](#), [James Choi](#) and [Nicola Kung](#)

[ELLALAN](#)

Summary

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LEGAL FRAMEWORK

Hong Kong has a common law system of jurisprudence in which certain intellectual property rights are also specifically protected under statute. The key pieces of legislation relating to IP protection include:

- Trade Marks Ordinance (Cap. 559) (TMO)
- Copyright Ordinance (Cap. 528)
- Registered Designs Ordinance (Cap. 522)
- Patents Ordinance (Cap. 514)
- Trade Descriptions Ordinance (Cap. 362) (TDO)
- Prevention of Copyright Piracy Ordinance (Cap. 544).

Unregistered rights such as unregistered trademarks are generally protected under the common law tort of passing off (similar to the concept of unfair competition). Passing off occurs when a trader misrepresents or 'passes off' their goods or services as being those of another.

Hong Kong is a party to various major international IP conventions and treaties, including the Nice Agreement on International Classification of Goods and Services, the Berne Convention for the Protection of Literary and Artistic Works, and the Paris Convention for Protection of Industrial Property. Its IP framework meets the standards laid out in the World Trade Organisation's TRIPS Agreement. Legislation has been passed to pave the way for the adoption of the Madrid Protocol for International Registration of Marks, though this has not yet been implemented.

Hong Kong has a separate legal system from Mainland China and registration of IP rights in one jurisdiction does not extend protection to the other. However, there is a structured framework for the mutual enforcement of civil and commercial court judgments between the Mainland and Hong Kong. Notably, the Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (Cap. 645), which came into force on 29 January 2024, expressly covers judgments to do with specified IP rights. This new ordinance makes it easier for IP rights holders to enforce a judgment against the assets of a defendant across the border, strengthening Hong Kong's position as an attractive venue for dispute resolution of cases with a Mainland Chinese connection. However, the ordinance excludes the recognition and enforcement of judgments relating to the validity of IP rights. This reflects the fact that IP rights are territorial in nature, and their validity is left to the jurisdiction of domestic courts.

BORDER MEASURES

Hong Kong is often targeted as a strategic hub for the transshipment of counterfeit goods, owing to its geographical proximity to manufacturing bases on the mainland and its established transportation infrastructure. The Hong Kong Customs and Excise Department conducts random inspections on imports and exports at the border. Seizures primarily relate to trademark counterfeiting, copyright piracy and false trade descriptions. In 2022, Customs reported 275 cross-boundary infringement cases, involving over 500,000 counterfeit items collectively worth more than HK\$160 million (approximately US\$20.4

million). This represented a 3.6% decrease from the previous year. Commonly seized items include clothes, accessories, electronics and watches.

SEIZURE AND RECORDAL

For Customs enforcement, the IP rights holder must first complete the Customs recordal process. The holder will need to authorise a competent examiner who can distinguish counterfeit goods from genuine ones. The examiner must undertake to give evidence and be willing to give expert testimony in court. As the examiner may be required to conduct examinations at short notice, it is generally advisable to appoint a Hong Kong-based representative; in some limited circumstances, examinations may also be conducted remotely. Once the recordal application is completed, Customs will arrange an interview with the nominated examiner to assess their competence. Through the application and interview processes, the examiner appointed by the rights holder is expected to adequately explain the source and shipment route of genuine products, the range and price point of genuine products, the typical security features of genuine products, the factors differentiating the official genuine products and parallel-imported products, and the background and experience of the examiner – all supported by full documentation and product samples.

Customs actively conducts enforcement operations at the border with respect to imports, exports and transshipments. They routinely seize suspicious goods and will detain them at no cost to the IP rights holders. When suspected infringing goods have been detained, Customs may carry out their own investigation and act on intelligence. If the suspicious goods are determined by the examiner to be infringing, Customs will, upon consultation with the Department of Justice, proceed to arrest the infringers and prosecute the case through the criminal justice system. After the successful conviction of the infringer, Customs will likely destroy the infringing goods.

The Hong Kong Customs recordal process is more stringent than similar processes in some other jurisdictions, with a focus on the competence and capability of the authorised examiner. However, Customs' authority to investigate, seize goods, make arrests and initiate criminal proceedings in relation to suspected infringing activities both across the border and within the domestic market has the advantage of effectively enforcing against and deterring future infringement. Customs is also renowned for its high efficiency, seamless communication and proactive approach.

PARALLEL IMPORTS

Parallel imports generally do not constitute trademark infringement under the 'exhaustion of rights' defence (TMO s.20(1)). This defence adopts the doctrine of 'international exhaustion' – the view that the rights of trademark owners or their exclusive licensees should be exhausted once their goods have been put on the market anywhere in the world with their consent (ie, parallel imports). To address safety concerns (especially with respect to parallel imported pharmaceutical and food products), TMO s.20(2) sets out a statutory exception whereby the exhaustion defence does not apply when the condition of the goods has been changed or impaired after they have been put on the market and the use of the registered trademark in relation to those goods is detrimental to the distinctive character or repute of the mark.

The application of the s.20(2) statutory exception to the exhaustion defence was recently clarified in *Mary Kay Inc. v Zhejiang Tmall* (2022) HKCFI 1403. In this case, the plaintiff cosmetics company commenced proceedings for trademark infringement and passing off

against two third-party vendors in respect of the sale of parallel imports through e-commerce platforms. The defendants sought to rely on the exhaustion defence. In response, the plaintiff sought to invoke the s.20(2) statutory exception, claiming that since production codes had been removed from the product packaging, the condition of the goods had been changed, and therefore the exhaustion defence did not apply.

The judge held that the s.20(2) statutory exception only applies where the physical condition of the goods inside the packaging has been adversely affected. The removal of production lot codes from the outer packaging was not enough to change or impair the condition of the goods. Therefore, the defendants were able to rely on the exhaustion defence.

CRIMINAL PROSECUTION

Customs is the designated government department for criminal prosecutions in respect of trademark counterfeiting, copyright piracy and unfair trade practices. Criminal cases are brought before the Magistrates Courts in the area where the offence is committed. Criminal sanctions in respect of trademark counterfeiting are found in the TDO, while the Copyright Ordinance (Cap. 528) and Prevention of Copyright Piracy Ordinance (Cap. 544) set out provisions for criminal proceedings in respect of copyright infringement. Customs officers and the police have extensive powers to conduct searches and investigations under the Organised and Serious Crimes Ordinance (Cap. 455).

TRADEMARK COUNTERFEITING

Counterfeiting is addressed under the TDO, under which it is a criminal offence to apply to any goods (a) any trademark, or (b) any mark so nearly resembling a trademark as to be calculated to deceive; without the trademark owner's consent (TDO s.9(1)(b)) (ie, a forged trademark). It is also a criminal offence to sell or possess for sale any goods to which a forged trademark is applied (TDO s. 9(2)). The defendant has the burden of proving that it did have the owner's consent to use the trademark in question.

In this provision, the term 'trademark' is widely defined so that not only trademarks that are registered in Hong Kong are protected. It is sufficient if the trademark is capable of registration in Hong Kong and already registered or applied for in a Paris Convention country or World Trade Organisation member country (provided that, in the case of an applied-for mark, it has been less than six months since the application date in that country). Having said that, in practice, Customs generally requires the trademark to be registered in Hong Kong as a pre-requisite for recordal and/or commencement of criminal enforcement actions.

A common defence to the offence of selling or possessing for sale goods to which a forged trademark is applied (under TDO s.9(2)) is the defendant's proof that they did not know, or had no reason to suspect and could not with reasonable diligence have ascertained, that a forged trademark had been applied to the goods (TDO s.26AAB).

The maximum penalty for conviction of a trademark counterfeiting offence is a fine of HK\$500,000 (approximately US\$64,000) and imprisonment for five years. The infringing goods may be forfeited, and the court may order the destruction and disposal of the goods.

COPYRIGHT PIRACY

It is a criminal offence to sell, import, export or make for sale an infringing copy of a copyright work without a licence. Cases prosecuted under these provisions have commonly involved pirated music recordings and films. The defendant has the burden to prove that they had

reasonable grounds to be satisfied that the copy was not an infringing copy and that there were no circumstances that would have led him reasonably to suspect that the copy was infringing. The time limit for criminal prosecution under the Copyright Ordinance is three years from the date of the offence.

The maximum penalty for conviction of most copyright offences is a fine of HK\$50,000 (approximately US\$6,400) in respect of each infringing copy and imprisonment for four years. For an offence relating to an article designed for making infringing copies, the penalty is a fine of HK\$500,000 (approximately US\$64,000) and eight years' imprisonment.

UNFAIR TRADE PRACTICES

The Trade Descriptions Ordinance makes it a criminal offence to engage in five specific types of unfair trade practices:

- making misleading omissions (ie, hiding material information);
- aggressive commercial practices (eg, harassment or coercion);
- bait advertising;
- bait and switch; and
- wrongly accepting payment (eg, taking payment without the intention of supplying a product).

The maximum penalty upon conviction is a fine of HK\$500,000 (approximately US\$64,000) and imprisonment for five years. If the accused is cooperative, Customs may accept a written undertaking in return for no criminal prosecution.

CIVIL ENFORCEMENT

CEASE AND DESIST APPROACH

A common first step in the civil enforcement process is to issue a cease and desist letter to the infringer, demanding that they immediately stop the infringing activities, undertake to destroy or deliver up infringing materials, declare the details of the infringing activity (including any income gained, and the details of manufacturers, suppliers, distributors and customers), pay damages and costs, and refrain from infringing in the future. The letter will alert the infringer to the fact that the rights holder is on their case, so it is crucial that any investigations, test purchases and other evidence preservation exercises are duly completed beforehand.

CIVIL LITIGATION

If the infringer does not respond to the cease and desist letter, or if their infringing activities continue, then the rights holder may consider initiating a civil action. It is important to first consider the merits of the case, cost efficiency and the overall objectives of litigating. Although there is no IP court in Hong Kong, IP cases that are brought before the High Court are put on a specific IP list and heard by specialist IP judges. Proceedings are issued by filing a Writ and a Statement of Claim detailing the facts, causes of action and relief sought. The plaintiff must serve the Writ on the defendant, after which the defendant will have 14 days to file an Acknowledgement of Service. Where the Writ is indorsed with a Statement of Claim, the defendant must serve a defence within 28 days from the time of giving notice of their intention to defend.

IP cases at first instance generally take 18 to 30 months to reach trial from the issue of the Statement of Claim. Remedies typically sought by a plaintiff may include an injunction, disclosure of information, delivery up or destruction of the infringing products, damages, or an account of profits and legal costs. In the recent case *Warner Bros v D.K.A.J Limited* (HCIP 67/2019), Warner Bros successfully obtained an injunction against the operators of an unauthorised Harry Potter-themed café, restraining them from using Warner Bros' trademarks and copyright materials. The court also granted an account of profits in the plaintiff's favour and issued a declaration of invalidity in respect of the café operators' associated Hong Kong-registered trademark '9 3/4 café'.

The courts have the power to grant interim relief to parties in the proceedings. The most common type of interim relief sought by plaintiffs in IP cases is an interlocutory injunction, although this will only be granted when the plaintiff can successfully prove that (i) there is a risk of irreparable damage if the injunction is not granted, and monetary compensation given at trial would not be an adequate remedy; (ii) there is a serious question to be tried (ie, a good arguable case raised by the plaintiff); and (iii) the balance of convenience tips in favour of the plaintiff.

In *Pandora A/S & ors v Glamulet & ors* (HCA 2941/2015) the jewellery retailer Pandora obtained an ex parte interlocutory injunction prohibiting an infringing e-commerce retailer from subscribing to the plaintiff's 'PANDORA' trademark through Google AdWords and similar services. Google AdWords is a pay-per-click system that allows businesses to pay to get their advertisements ranked at the top of the search results page for chosen keywords. This was the first Hong Kong decision prohibiting the unauthorised use of a trademark as a search word in Google AdWords.

When an interlocutory injunction is granted, the court will almost always require the applicant to give a cross-undertaking in damages. This is intended to compensate the defendant if it is later found that the interim injunction should not have been granted. An interlocutory injunction has proved to be the most effective remedy for IP rights holders to stop infringement within the territory of Hong Kong (though it is not enforceable in Mainland China). In practice, it also helps bring the defendant to the negotiating table, because a defendant would generally not breach the injunction in order to avoid the risk of contempt of court, which is criminal in nature. An interlocutory injunction may become permanent if the plaintiff is successful at trial.

Other types of interim relief include a Norwich Pharmacal Order (ie, third-party disclosure order), under which the court can compel a third party to disclose information relating to the wrongdoing (eg, contact information of infringers, transaction and shipment details, etc.); and an interim freezing order (ie, a Mareva injunction) to restrain a party from dissipating its assets before final judgment is entered. A Mareva injunction is considered a draconian remedy and the applicant must satisfy various requirements, including showing that there is a real risk that the counterparty will dispose of its assets unless restrained by the court.

DAMAGES IN COPYRIGHT INFRINGEMENT CASES

An update to the Copyright Ordinance that came into effect in May 2023 introduced two new statutory factors for the court to consider when awarding additional damages in civil copyright infringement cases. The original factors include the benefit gained by the infringer and the flagrancy of the infringement. The new factors are (i) unreasonable conduct of an infringer after having been informed of the infringement (eg, attempts made to expedite sales

of the infringing products or destroy evidence of the infringement); and (ii) the likelihood of widespread circulation of infringing copies as a result of the infringement (eg, through online communications).

ANTI-COUNTERFEITING ONLINE

Counterfeiters commonly exploit third-party e-commerce sites (such as Taobao, JD.com, Tmall and Alibaba) and social media platforms (like WeChat, Instagram and Facebook) to sell their infringing products. Their methods have become increasingly sophisticated in recent years. Some use images of genuine products to market counterfeit goods. Other sellers mask their counterfeiting activities by mixing and selling both genuine and counterfeit products simultaneously. While most online platforms offer a complaint mechanism through which brand owners can submit takedown requests, counterfeiters have become increasingly adept at evading justice. To counter takedown requests, some counterfeiters use digital methods to fabricate trademark certificates or authorisation letters from brand owners. There is also the challenge of locating and identifying the actual perpetrators. Even after an infringing site or page has been successfully taken down, perpetrators often swiftly set up shop elsewhere.

Customs has responded to this trend by setting up a dedicated 'Anti-Internet-Piracy Team' comprising over 40 investigators who conduct online investigations and take enforcement action in respect of online IP infringement. In 2022, the team handled 80 online counterfeiting cases, resulting in the seizure of counterfeit and pirated goods worth over HK\$5 million (approximately US\$640,000). This represented a 22% decrease from the previous year. The cases related primarily to the sale of counterfeit goods on online marketplaces.

Some brand owners have risen to the challenge by joining forces with other brand owners, as well as with operators of online platforms such as Alibaba and Google. A coordinated, collaborative enforcement effort can have significantly more impact than a single takedown request. It is therefore always advisable for affected brand owners to maintain a dialogue with the operators of e-commerce platforms on which they are aware of infringement.

In the Mary Kay case discussed above, the court held that the online platforms involved in the sale of parallel imports were not liable for infringement. The plaintiff claimed that the operators of the e-commerce sites Tmall and Taobao had committed passing off, asserting that the online stores in question had been set up to mislead the public into believing that the vendors were associated with their brand. However, the judge held that the e-commerce platforms were not liable, as mere knowledge and intent were not sufficient to make them infringers or joint tortfeasors. Applying principles from the UK case *L'Oreal v eBay* [2009] RPC 21, the judge decided that the provision of an online platform to facilitate the marketing and sale of products by vendors is not sufficient as authorisation or procurement of infringement. In addition, there was no evidence that the e-commerce platforms had approved or procured the vendors to sell the products. Notably, the judge held that even if the platform operators had financially benefited from product sales, this would not have been sufficient to make them liable.

The Court of Appeal's approach in *Mary Kay* contrasts with the approach of the Court of First Instance in *Karibu Baby Limited v Global Yield International Limited* (HCA 1765/2014), in which the operator of an online marketplace was found liable for patent infringement and secondary copyright infringement as a result of its sale of a foldable bathtub that was identical to the plaintiff's patented invention, even though the defendant was only a

middleman who connected buyers with sellers. In that case, the defendant tried to assert that it had conducted searches to satisfy itself that the products being sold were not infringing. However, the court held that the searches must have given the defendant at least constructive, if not actual knowledge of the infringement at the time it marketed the products.

Customs tackles copyright infringement online, including concerning pirated movies, videos, games and songs. Its efforts are bolstered by an Electronic Crime Investigation Centre that employs data analytics to analyse information retrieved from various Internet platforms. Internet piracy commonly takes the form of streaming as opposed to downloading. However, no copying is involved in the streaming process, and streaming was therefore not caught under our old copyright regime. In response, the Copyright Ordinance was amended in 2023 to introduce a technology-neutral exclusive right for copyright owners to communicate their works to the public through any mode of electronic transmission. Copyright owners now have civil recourse to infringing acts, regardless of the mode of electronic transmission. In certain situations (mostly involving commercial use), criminal remedies are also available.

PREVENTATIVE MEASURES/STRATEGIES

A well-formulated IP policy is essential for safeguarding a brand's image, deterring infringement and projecting a strong stance to the market. Educating employees about a company's rights and fostering a culture of IP awareness can be a pragmatic and effective approach. Sales and marketing teams can be trained to identify infringement and report any instances through appropriate channels. In addition to conducting their own monitoring, companies may consider engaging third-party watch services to monitor online and physical markets (through different parameters such as pricing, keyword description and product photo comparison), as well as published trademarks in official journals.

To protect against infringement, companies should avoid relying solely on one form of IP and instead consider implementing a system of layered protection. In this era of digital transformation, companies may also consider filing for trademark protection in the virtual space even if they do not have current plans to go virtual. There has recently been a noticeable increase in trademark applications in Classes 9 and 35 with specifications relating to 'blockchain', 'Metaverse' and 'NFTs'. The volume of trademark applications in these classes will likely continue to grow, increasing the chance of late entries being blocked.

In Hong Kong, it can be particularly beneficial for brand owners to establish and maintain open communication channels with Customs. One way to do this is to join the Hong Kong Intellectual Property Rights Protection Alliance jointly formed by Customs and IP stakeholders (<https://www.iprpa.org/eng>). This can increase the efficiency of the seizure and recordal process, and enable brand owners to receive regular updates from Customs and make the most of available enforcement mechanisms.

ELLALAN

Alan Chiu
James Choi
Nicola Kung

alan.chiu@ellalan.com
james.choi@ellalan.com
nicola.kung@ellalan.com

Rooms 1505-1506, R&F Yingkai Square, 16 Huaxia Road, Tianhe District, Guangzhou,
Guangdong Province 510623 PRC , China

Tel: +86 208758 6146

<https://www.ellalan.com/>

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India: Courts zero in on online infringement while collaboration needed for effective offline enforcement

Saif Khan and Prajjwal Kushwaha

Anand and Anand

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LEGAL FRAMEWORK

TRADEMARKS ACT 1999

The Trademarks Act is the parent statutory regulation for trademarks in India. It provides protection of 10 years to several categories of marks, including buildings, shapes, sounds and collective marks, and recognises the rights of a prior and unregistered trademark user against a registered trademark. The term of protection can be extended by timely renewal applications.

Under the Act, a right holder can pursue both civil and criminal remedies against an infringer. The Act also provides that an infringement suit can be instituted where the trademark owner actually and voluntarily resides or carries on business or personally works for gain. While the classification of goods and services under the Act is aligned with the Nice Classification, provisions of the Act are also applied by courts to protect the personality rights of public figures and celebrities.

COPYRIGHT ACT 1957

The Copyright Act protects original literary, dramatic, musical and artistic works, as well as computer programs, films and sound recordings. While original literary, dramatic, musical and artistic works are protected for a period of 60 years following the death of the author, sound recordings, cinematograph films and photographs are protected for 60 years following the publication of the work.

The Act provides for the inalienable right of a right holder to receive an equal share of royalty in the underlying work and bars the assignment of moral rights. The Act also penalises secondary infringement of copyright, that is, acts that do not directly amount to infringement but facilitate infringement by others. Fair dealing exceptions and grounds to initiate civil and criminal actions in infringement cases are also given in the Act. Like the Trademarks Act, the Copyright Act also creates an additional jurisdiction for the right holder to initiate a suit where the holder actually and voluntarily resides or carries on business or personally works for gain.

DESIGNS ACT 2000

The subject matter protectable under the Designs Act extends to shapes, configurations, patterns, ornaments and compositions of lines or colours applied to any article in 2- or 3-dimensional form, or both, by any industrial process. The Act only protects only such non-functional aspects of a finished product that appeal when judged solely by the eye.

While the Act provides no criminal liability for design infringement, civil actions can be taken by a right holder within the valid design protection period, that is, an initial 10 years, extendable by a single 5-year period. Any work capable of being registered under the Designs Act, when produced more than 50 times, automatically loses its protection under the Copyright Act.

INFORMATION TECHNOLOGY ACT 2000

The Information Technology (IT) Act seeks to curb illegal infringing activities conducted through the use of computer systems and technology. With the growing deployment of IT infrastructure in e-commerce, supply chains and customer engagement, the Act's provisions

have become more relevant than ever before. The Act provides punishment for the following offences:

- concealing, destroying or altering any computer source code or network;
- causing wrongful loss or damage to the public, or destroying, deleting or altering information in a computer resource or diminishing its value or utility;
- identity theft and cheating by impersonation;
- publishing obscene information in electronic form; and
- breaching confidentiality or privacy.

The setting up of dedicated cybercrime cells to investigate and prosecute offenders under the act is evidence of the nation's policy against tech-enabled fraud.

INDRP

The .in Domain Name Dispute Resolution Policy (INDRP) is the framework for resolving disputes pertaining to any '.in' domain (ie, the country code top-level domain for India). Any person aggrieved by registration of a '.in' domain that is identical to or confusingly like their name or trademark may file a complaint before the National Internet Exchange of India, which is the administrative body for entertaining complaints under the INDRP.

Apart from the aforementioned statutes, the following regulations also apply depending on the facts and circumstances of each case:

- Geographical Indications Act, 1999;
- Drugs and Cosmetics Act 1940;
- Food and Safety Standards Act 2006;
- Prevention of Money Laundering Act 2002;
- Data Protection Act 2023; and
- Consumer Protection (E-commerce) Rules 2020.

BORDER MEASURES

The import of infringing goods is prohibited by the Customs Act 1962, read alongside the Intellectual Property Rights (Imported Goods) Enforcement Rules 2007. Seizures made by Pan-India Customs over the past few years offer important insights into the widespread influx of counterfeit goods, and emphasise the critical need for strong enforcement measures at the borders.

The law allows holders of specific IP rights – including trademarks, copyright, designs and geographical indications – to record their rights with Customs in order to secure the prompt seizure of counterfeit goods at the port of entry. The Act also prohibits the export of counterfeit goods, further strengthening the measures against counterfeiting. In order to get Customs to apprehend counterfeit goods intended for export, the right holder must inform the Customs about the shipment beforehand and in writing.

However, it is worth mentioning that for an effective Customs action, the right holder is required to follow up and remain in constant communication with the authorities. Brands may further organise workshops and seminars to train and inform customs authorities about

the unique identifiers by which original and counterfeit products can be differentiated. Such activities will also motivate Customs to be more vigilant while scrutinising shipments.

PROCEDURE UNDER THE CUSTOMS ACT

Once IP rights are registered with Customs, the authorities can suspend the import of goods suspected to be counterfeit or infringing on their own initiative (where there are reasonable grounds to believe that the goods violate registered IP rights) or based on information provided by the right holder. Customs will inform about the suspension of suspected counterfeit goods. Once the right holder has confirmed that the goods are counterfeit, they must furnish a bond of an amount equivalent to 110% of the value of the detained goods, along with security, in the form of a bank guarantee or fixed deposit, equivalent to 25% of the bond value. The value of the detained goods is determined based on the value of the goods declared by the importer.

Thereafter, Customs will seize the suspended products and issue a show cause notice to the importer and all parties that facilitated the importation of counterfeit goods, requiring them to explain why no action should be taken against them. Customs may also address the show cause notice to the right holder, who should respond to assert their legal rights and confiscate the infringing goods, along with directions for destruction and penalty against the parties involved.

Before the matter is adjudicated by Customs, the importer and the right holder have an opportunity to be heard before the adjudicating authority in person. After the hearing, Customs will pass an order for absolute confiscation and impose a penalty upon the importer and parties involved in importing the infringing goods. After the appeal period has expired, Customs will destroy the suspended goods. The cost of destruction, demurrage and detention must be borne by the right holder. After the counterfeit goods are destroyed, the bond and bank guarantee are returned to the right holder.

CRIMINAL PROSECUTION

Criminal remedies are provided under the Trademarks Act, the Copyright Act, the Geographical Indications Act and the IT Act. Under the extension of the Proceeds-of-crime Law to IP matters, the assets of entities undertaking transactions while falsely using another party's intellectual property may be seized by the authorities, in addition to arrest.

Criminal offences under the Trademarks Act include the acts of falsifying and falsely applying trademarks, trade description and so on, and providing services to which false trademark or false trade description is applied. Similarly, under the Copyright Act, knowingly infringing someone's copyright or knowingly dealing in infringing copies of computer programs are penal offences.

The amendments to the Copyright Act in 2012 revolutionised India's copyright laws by amending its piracy laws. Section 65A of the Copyright Act protects Technological Protection Measures (TPM) used by copyright owners against any evasion or breach. If someone evades or circumvents a TPM in order to infringe the owner's IP, then that person can be punished with imprisonment for up to 2 years along with a fine.

Cases pertaining to offences under the Trademarks Act and Copyright Act are first lodged with the concerned police station. Upon registration, the raid action is conducted. The search and seizure must be conducted by an officer not below the rank of Deputy Superintendent of Police. This officer must seek the opinion of the Registrar of the Trademark before carrying

out a search and seizure. This is one of the major issues faced by rights holders in initiating criminal action against a counterfeiter. However, under the Criminal Procedure Code, the officer can seek warrants from the court to conduct a raid action under the Trademarks Act. In such situations, it is not necessary to get the opinion of the registrar before the raid action is conducted.

Effective criminal enforcement in India requires proactive liaison with the police both before and after filing the action. The complainant is required to assist the police at every stage of a criminal proceeding, which may be lengthy and time-consuming. The practice of plea bargaining can save time in such cases, as the offender accepts the guilt and the court imposes heavy costs payable to the rights holder.

The recent enactment of the Jan Vishwas (Amendment of Provisions) Act 2023 seeks to decriminalise certain offences under the Trademarks Act and Copyright Act. The key offences which have now been omitted or for which punishment has been diluted include falsification of entries in the register, falsely representing a trademark as registered and making false statements for the purpose of deceiving or influencing any authority or officer of the Copyright Office. However, specific provisions of the Jan Vishwas Act will come into force through Central Government's notification, with varied dates for domain-specific amendments.

CIVIL ENFORCEMENT

All of the IP statutes provide for civil remedies in the form of injunctions and damages or rendition of accounts. A civil action is initiated by filing a lawsuit before the district court or high court that has territorial jurisdiction. Indian courts are well versed in IP laws, with the High Court of Delhi and Madras having a dedicated IP Division. Courts are becoming cognisant of the cross-territorial nature of online infringement and allow for suits to be filed before such courts where none of the parties have their offices but the infringer is providing its goods or services within the court's territory.

Several infringers can be joined in one proceeding, if a link can be shown between the entities; that is, that all the defendants are sourcing the products from the same supplier, that the counterfeit products have the same features or that the defendants are operating in the same market. Courts regularly grant ex parte interim injunctions, especially in such disputes where the impugned product is a clear counterfeit.

Rights holders can obtain the following interim reliefs in civil actions:

- Anton Piller orders: the rights holder may seek ex parte appointment of court commissioners to visit the defendant's premises in order to find and seize counterfeit goods. The goods are returned to the defendant with an undertaking that they will be safely preserved until further orders of the court.
- John Doe orders: this is an extraordinary order through which the court can appoint court commissioners and authorise them to enter, search and execute seizures in the premises of any named or unnamed defendants. This kind of action is most effective where it is difficult to identify every counterfeiter or where the counterfeiter is operating out of temporary premises.
- Mareva injunctions: in specific cases, an injunction may be granted against the infringers to freeze their assets until further court orders.

IP disputes qualify as commercial suits under the new system for commercial cases. This provides expedited timelines for each stage in a civil case. In the event that in an ongoing civil suit, the defendants do not enter an appearance or raise no plausible defence in their initial pleadings, an application for summary judgment can be moved. In such cases, courts can decide the matter finally without requiring oral evidence to be heard.

By their very nature, anti-counterfeit lawsuits are fit for invoking summary proceedings – especially after the successful execution of an Anton Piller order.

Mediation is also a viable option for trademark owners, and Indian courts often encourage this in IP disputes. By opting for mediation, not only can one secure an upfront amount as damages, but settlement by way of mediation also entitles the plaintiff to a full refund of the government court fees submitted for instituting the case.

DOMAIN NAMES

Indian courts have seen a sharp rise in new cases of fraudulent domain name registration. A right holder can seek an injunction for the interim and permanent takedown or transfer of the domain name in a civil lawsuit. As in most cases, the name and details of the domain registrants are masked, a right holder can also request the details of the registrant as well as the details of the bank account used to purchase the fraudulent domain.

Fraudulent domain names help online counterfeiting as they allow infringers to lure bona fide customers into placing orders, who in return get counterfeit products or no product at all. The 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.

Courts are now actively enquiring into non-compliances by intermediaries and digital platforms, such as the non-appointment of grievance officers and loose know-your-customer policies followed by domain name registrars, banks, telecom operators and other entities. Without such credible information, it is difficult for victims and brand owners to ascertain the identity of the real fraudsters.

ANTI-COUNTERFEITING ONLINE

The success of e-commerce businesses in India has allowed illegal operators to conveniently sell counterfeit products under the guise of heavy discounts and a shield of anonymity that is otherwise unavailable for original products. No distinction is made between online and offline counterfeiting and there is no law in place that deals specifically with online counterfeiting. However, the IT Act specifically provides for the liability of internet intermediaries.

In a recent case involving an e-commerce marketplace, the court observed that such marketplaces cannot become havens for counterfeiters. The court noted that the platform had facilitated counterfeiting by allowing such listings to be put on its platform without verifying the sellers of such listings. The Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules 2021 also require online platforms to put mechanisms in place that proactively identify infringing content. Failure to comply with this requirement may lead to intermediaries losing the safe harbour protection.

ONLINE STRATEGIES

Online counterfeiting requires a sophisticated investigation strategy, which may include a combination of online surveillance using high-tech tools, personal visits and physical relative analysis of the products. Further, tackling online counterfeiting requires identification of the most effective targets along the chain, including website owners, domain hosts, internet service providers (ISPs) and payment gateways.

INTERMEDIARY LIABILITY

The IT Act outlines the liability of internet intermediaries – including entities such as ISPs, hosts, search engines, online payment sites, auction sites, marketplaces and cyber cafes – within its definition. While intermediary liability is subject to certain exemptions, adherence to the due diligence requirements specified by law is crucial.

With the surge in online counterfeiting, particularly through marketplaces, legal actions involving the responsibilities of intermediaries have risen. These intermediaries may include domain registrants, online marketplaces and call centres, among others. Courts are increasingly holding intermediaries to stricter standards and issuing injunction orders, in recognition of their active involvement in infringement and the substantial revenue generated by such activities.

CYBERSECURITY AND BRAND PROTECTION

Recent trends show that cybersecurity and brand protection go hand in hand. This is particularly evident in cases of tech support fraud and call centre scams. Individuals posing as certified technical experts from reputable IT companies deceive victims into believing their systems are infected, offering to fix the issue for a fee. The fraudulent transactions appear authentic as the pop-ups vanish, convincing users of a genuine threat. Several affected brand owners have taken legal action, resulting in police raids uncovering significant fraudulent transactions and leading to numerous arrests.

PREVENTIVE MEASURES/STRATEGIES

ASCERTAINING AND HANDLING CONFIDENTIAL INFORMATION

While one strategy may not fit well for all types of anti-counterfeiting efforts, a common element of maintaining confidentiality applies across the board. The particulars of the infringer, their premises and the number of people employed must be ascertained beforehand, as it is only upon receiving such information that the court will grant the reliefs sought once it is satisfied that the defendant is indeed a counterfeiter.

Reconnaissance must be conducted right before executing an Anton Piller order in order to efficiently allocate resources and plan the raid action. Raids may have to take place at multiple locations. To ensure the information about the raid is not leaked and the infringing goods are not removed, teams must coordinate with one another and start the raid action simultaneously.

SAFE AND LEGAL EXECUTION OF ANTON PILLER ORDERS

It should be ensured that the legitimate business operations of the defendant are not disturbed while executing the raid action and only the infringing goods are sealed. Raid actions can involve unforeseen circumstances, such as nuisance by the infringer or interference by market entities. To avoid any mishap, civil raids must be conducted after obtaining the necessary protection from local law enforcement. The entire exercise must

be properly photographed/videoed, and an on-the-spot proceeding must be prepared that should be duly signed by everyone present.

EFFECTIVE USE OF ANTI-COUNTERFEITING FEATURES

Brand owners can deploy several preventive technologies to identify genuine products and ensure a tamper-proof supply chain. Microscopic tags, barcoding, licence databases, unique identity codes or holograms, and seals of authenticity can all prevent the proliferation of counterfeit and pirated products.

Various uses of blockchain technology are explored by brands to combat counterfeit products in the market. A unique identifier or a digital token, which is linked to a blockchain, can provide instant verification of the product's description and of the entities involved in the supply chain.

PARTNERSHIP BETWEEN PUBLIC AND PRIVATE STAKEHOLDERS

Industry leaders must join together to devise practical and tailored solutions to combat counterfeiting in their respective industries. Recent collaborations between global tech giants and central investigation agencies have proved fruitful in uncovering large-scale cyber hubs that were engaged in defrauding customers through impersonation. Similar collaborations are required from industry-specific stakeholders and a targeted approach is required to create market impact by catching the key players in counterfeit supply chains.



Saif Khan
Prajwal Kushwaha

saif@anandandanand.com
prajwal@anandandanand.com

B-41, Nizamuddin East , New Delhi 110013, India

Tel: +91 120 405 9300

<http://www.anandandanand.com>

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Italy: Stronger enforcement continues to dovetail with augmented border control and harsher punishments

Cesare Galli

IP Law Galli

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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, and this was 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 to introduce specialisation 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. These expressly include 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 has implemented all the relevant EU directives and the main international agreements.

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

In 2023, a new law was passed that allowed 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 several countries from which counterfeit goods originate, in particular China. The activities of the Customs Agency are supported by multimedia databases, which gather information on how to distinguish fake goods at the borders. The databases are updated directly by rights holders.

A Government bill approved by the Parliament established a state seal that may be used by manufacturers on goods made in Italy under the EU Customs Code, to make them more easily recognisable from Italian-sounding goods on the international markets.

CRIMINAL PROSECUTION

The efficacy of criminal prosecution has increased with the implementation of the Anti-counterfeiting Information System. This is a computerised platform that allows rights holders to send information on their infringed products for ready reference by control agencies in the field. An infringement can be either a criminal or an administrative offence, depending on various criteria. Criminal offences are set forth by Articles 473, 474 and 517ter

of the Criminal Code. These 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.

Infringements that involve large quantities or that are committed in a continuous and organised fashion attract sentences of between two and six years (Article 474ter). A penalty of up to two years plus a fine of up to €20,000 has also been 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 that may mislead the buyer as to their origin, provenance or quality 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 and increased by one-third, apply to the use of 'a sales indication which presents the product as entirely produced in Italy' concerning goods that were not actually 'completely produced in Italy'. Such products are 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 has 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. These must be confirmed by a court and are subject to re-examination. As of January 2024, the expeditious destruction of seized counterfeit goods is allowed, also at the request of IP owners. If criminal organisations are running the counterfeiting operation, the more severe penalties under Article 416 of the Criminal Code also apply.

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.)

Furthermore, the injunction (whether final or preliminary) may be extended to all the modes of undue use of the infringed IP right, taking into account the plurality of violations conceivable. This has the effect of a blocking/dynamic injunction (see Court of Bologna, 7 January 2020; and Court of Milan, 5 October 2020), provided that the claimant formulates its claims in a reasonably broad manner (ie, sufficiently wide but not fully undeterminable).

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 that does not include the first judge. This panel 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) becomes final. This is the case unless any of the parties start proceedings on the merits, which are therefore 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 to help calculate the damages. These include either the infringer's profits or the rights holder's lost profits, whichever is the greater. Compensation for any further damage, such as expenses incurred or reputational damage, may also be added. Reputational 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. For example:

- 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 had therefore had not suffered any lost profits.

In addition, 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 also rigorous. 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 to distinguish goods or services, as it is now expressly written in 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 addition to the judicial procedure, revocation and forfeiture of trademarks are also available through an administrative procedure. In patent matters, precautionary measures can also be obtained based on 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 urgent 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:

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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. A subsequent derogating rule was overruled by the case law, as it was deemed contrary to the directive.

The condition whereby only creative design works that also have artistic value qualify for copyright protection is deemed to no longer apply under Italian copyright law, after the CJEU decision in Cofemel (C-683/17); see Italian Supreme Court of Cassation, Case 8433, 30 April 2020.

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. Possible 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.

At the Court of Milan, 3 July 2019, 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. In a separate 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 an advertising keyword amounts to trademark infringement and unfair competition. Further, on 3 September 2015, the Court of Bologna not only enjoined 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, the court 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 card NFTs that reproduced the distinctive signs of a famous Italian soccer team. These activities were judged to have been carried out for commercial purposes and that they exploited and diluted the relevant trademarks without authorisation, regardless of the digital nature of the cards in question.

In 2024, the Milan Public Prosecutor's Office blacked out 163 web pages of 'Hidden Links' – a form of fraud in which the counterfeiter does not place images of the counterfeit goods on his own web pages but has them appear instead on the social channels of third parties. Such images are associated with an identification code that can be used, within the counterfeiter's online sales channel, to purchase the fake product.

The Italian Competition Authority can also shut down clone websites selling counterfeit brands. The Telecommunication Authority also adopted Resolution 680/13/CONS, which provides a fast, economical and simplified procedure for the removal of copyright-infringing online content, especially in urgent cases. Both interventions have proved effective and have been widely used to date.

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 holders to request preventative and discovery measures, such as seizure and description orders. An appropriately drafted confidentiality agreement will therefore be of great help in persuading 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 that are 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.)

IPLAWGALLI
SOCIETÀ TRA AVVOCATI
MILANO - BRESCIA - PARMA - VERONA

Cesare Galli

galli.mi@iplawgalli.it

40 Via Lamarmora , Milan 20122, Italy

Tel: +39 02 5412 3094

<http://www.iplawgalli.it>

[Read more from this firm on WTR](#)

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

Saúl Santoyo Orozco and Jose Luis Ramos-Zurita

Uhthoff, Gómez Vega & Uhthoff SC

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LEGAL FRAMEWORK

After entering into an agreement with the United States and Canada, Mexico reformed and even completely revised many of its domestic laws governing intellectual property rights and their enforcement. This included enacting 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 aim to provide 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 administrative infringements of the specific IP rights involved (either trademarks, patents or copyrights) or criminal counterfeiting (applicable only to copyrights and trademarks). The procedure and action brought would depend on the circumstances of each case. This distinction entails different procedural rules and effects, which in turn significantly increase the burden of legal requirements for IP owners to obtain favourable results. Legal remedies that seek to stop trademark infringement are strongly linked to and are thus limited by the main legal causes that created them, whether administrative or criminal.

For these reasons, 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. If there is sufficient evidence, this, in turn, 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 has assumed 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, the ANAM has no ex officio powers when dealing with IP infringement and may only act after a competent authority (the IMPI, the FGR or a judge) issues an order or warrant instructing it to take enforcement action. This lack of legal powers to take direct action makes it more difficult for IP rights holders to swiftly enforce and defend their rights.

Since 2011, however, Mexican customs authorities have operated a database of trademark owners that serves as a watchlist and a source of information that Customs officials can use to identify suspected infringing shipments. 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 shipments before they clear 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 at the final stage (while the offending merchandise awaits customs clearance) before they are distributed to final consumers, and usually involve 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 collaboration mechanisms between Mexican government agencies and trademark owners and their representatives. They also hinge on the ability to monitor and detect the import and export operations of counterfeit and infringing goods. They are further boosted by the commitment of trademark owners to 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 allow rights holders to demonstrate that they are prepared to invest in the relationship. This means that Customs' interest will be more effectively engaged, increasing the likelihood of successful action. 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 must deal with a limited mandate, scarce resources and the ever-growing risk of being the target of organized crime violence.

It may be beneficial for rights holders to consider assigning resources to the education and awareness of customs and other law enforcement personnel. Active participation in seminars, training and forums where direct contact with officials is possible, should improve detection practices. 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 has been detected.

CRIMINAL PROSECUTION

In more severe cases, where the violation has been 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 the competent courts.

After filing a claim and providing the available evidence, an FGR deputy prosecutor is responsible for the investigation, which is supposed to produce the necessary evidence to determine whether there is criminal trademark counterfeiting and unlawful copyright exploitation, and 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.

Among 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. These usually include the ability to secure the physical grounds (eg, the seizure of real estate)

where the criminal conduct is taking place and to arrest those conducting it. 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 that is issued by the IMPI within 30 working days. It is through this opinion that the nature of the original products and the counterfeits is legally proven and a clear legal definition is given of what constitutes the 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 (ie, 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, several circumstances at each stage of these procedures 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. Nevertheless, it is 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 with respect to trademark infringement claims because the IMPI is an administrative authority that is legally competent to attend to and resolve 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 legal proceedings are carried out and the results that can be expected, since the IMPI is not a court. This is significant when the desired goal is to stop infringing conduct immediately and an aggressive approach is needed.

The 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. The IMPI may order:

- the withdrawal from circulation or a ban on the distribution of infringing merchandise;
- the seizure of infringing goods;
- the cessation of the infringing conduct either directly to the alleged infringer or to any third parties that participate or facilitate the conduct.

Finally, the IMPI may order the forceable closure of the infringer's premises, and under the provisions included in the LFPPi it may impose and collect more significant fines (up to

US\$1.1 million). This should significantly shorten the time between sanctions 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 the 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 the conducts 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 the IMPI orders any provisional measure, the law requires the plaintiff to produce collateral adequate to cover any damage that could be caused to the defendant. The amount of the guarantee is determined by the 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 (the 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 the IMPI may now study and determine damages or 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 consider that administrative procedures before the 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 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. These include 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 haven for pirates and infringers? Internet piracy is complex and the authorities face many practical obstacles, including the public's perceived tolerance of 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 in exerting 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 their potential consumers sooner rather than later, that counterfeiter will be driven out of business.

Under these principles, it is worthwhile investing in periodic monitoring and evaluation (patrolling and investigating) of what is lurking on the different e-commerce sites (eg, MercadoLibre, Linio, 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 their platforms. Once counterfeits are identified, bringing takedown actions before the administrators of these websites and portals, plus other legal actions directed at the providers (ie, 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 several countries in Southeast and East Asia (especially China) are the primary sources of most counterfeit products. It makes sense to begin here 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 help direct 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 likely to suffer losses than those who do not spend resources on such measures. Victims of robbery rarely recover their property.

It is essential to acknowledge that those 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 specific 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, and backed up by the actions themselves.



Saúl Santoyo Orozco
Jose Luis Ramos-Zurita

saulso@uhthoff.com.mx
jlramos@uhthoff.com.mx

Av. Paseo de la Reforma, 509 22nd floor, Col. Cuauhtémoc, 06500, Mexico City, Mexico

Tel: +52 55 55 33 50 60

<https://www.uhthoff.com.mx>

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Romania: Customs continues to tackle flow of counterfeits across non-EU borders

Raluca Vasilescu

Cabinet M Oproiu

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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 also 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. Since then, the Romanian Customs authorities' responsibility to protect the external border of the European Union has 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, that 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 EU regulation and Romanian national law is the scope of application to customs regimes. National law applies not only to suspected counterfeit goods that are imported into or exported out of the EU territory but also to all goods seized in Romania 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 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 at 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 the 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 a 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 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 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. Notifications are usually sent by email and accompanied by photographs. In cases where the local customs office is unable to take photographs, the representative may go to the place where the goods are stored to take photographs.

In most cases, the rights holder requests destruction and the holder of the goods does not oppose this; the goods are then destroyed by authorised companies. The costs of destruction are borne by the rights holder but 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 the 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. 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 rights 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. If a penal file for counterfeiting is created concerning the seizure (either ex-officio or at the request of the trademark owner), the seized goods are stored until the end of investigations. This may be for up to four years, either at the firm's warehousing or transferred to the police. It is uncertain whether this transfer is available for all cases.

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.

It is theoretically possible for seized counterfeit goods to be donated to the state authorities. However, there are no clear benefits for trademark owners in doing this in comparison to destruction, since national fiscal legislation incurs additional costs to the trademark owner to donate: fiscal tax for the import of the goods and the costs involved by the capitalization of the goods (eg, evaluation). Relevant provisions in this respect are found in the national fiscal legislation in Articles 14 and 15 paragraph 3 from the Government Decision no. 731/2007 and Article 1 paragraphs 2, 3, 5 and 7 of the Government Ordinance no. 14/2007.

CRIMINAL PROSECUTION

Counterfeiting is an offence punishable under criminal law. Two types of crime are stipulated: 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'. This is 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 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 a 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 as to whether they allow any existing infringing goods 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.

The law does not stipulate a specific time frame. In respect of irreparable harm, the claimant must cite 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 in its decision. 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 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 under 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; this varies in proportion to the amount claimed.

Damages are usually calculated as an estimate of the claimant's lost profits due to the presence of the defendant's products on the market. Damages and legal costs that are ordered by the court 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 the 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 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 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 landmark decision of 2019 involved a case concerning vehicle spare parts. Company A sold vehicle spare parts and, along with its own trademark, placed 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-authorised 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 need 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 need 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 need 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 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.

In January 2023 this decision was appealed by Company A to the High Court of Cassation. In January 2024 the High Court ruled with respect to the final appeal, deciding to partially admit it for the accessory claims and to return the matter to the Court of Appeal in this respect and to maintain the decision of the Court of Appeal in respect to the main claim – namely the infringement of the rights of the Company B. The motivated decision is not yet available.

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.

CABINET M. OPROIU
CONSILIERE ÎN PROPRIETATE INDUSTRIALA

Raluca Vasilescu

raluca@oproiu.ro

Popa Savu 42, Ground Floor, 1st District, PO Box 2-229, Bucharest, Romania

Tel: +40 2 1260 2833

<https://www.oproiu.ro>

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

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LEGAL FRAMEWORK

CGA

South Africa's Counterfeit Goods Act 37 of 1997 (CGA) aims to combat the trade in counterfeit goods. It was implemented in conjunction with amendments to the Merchandise Marks Act 17 of 1941 (MMA), which had previously 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 moved to 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 for combating trade in counterfeit goods.

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 to provide 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 the country is a party.

The CGA allows inspectors to search and enter premises to seize counterfeit goods. It is an offence for a person to, among other things, manufacture, import, have counterfeit goods in his or her possession or control, or exhibit such goods in public for purposes of trade.

Proceedings under the CGA are subject to strict technical requirements and deadlines. Once the holder or licensee (or another interested party) of an IP right has lodged a complaint with a designated inspector, the inspector may obtain a warrant to enter and inspect any premises or vehicle and to seize and confiscate any suspected counterfeit goods located therein.

THE PRACTICAL DEFINITION OF COUNTERFEIT GOODS

In practical terms, 'counterfeit goods' are defined to be goods that unlawfully bear or embody a trademark or the copyright of another without authorisation, or that have 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 that embody an IP right, or goods that bear spurious marks that infringe articles in respect of an IP right. In manufacturing, producing or making such goods, or applying the subject matter of an IP right to them, a person so doing commits an act of copyright or trademark infringement, or contravenes the MMA.

The CGA does not extend to rights conferred by the Patents Act or the Designs Act.

INITIATING THE 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, whether they are acting on their own initiative or after having received a complaint from someone with 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 those that are (or that are reasonably suspected of being) counterfeit.

DEALING IN COUNTERFEIT GOODS

The CGA prohibits certain conduct relating to counterfeit goods. These include:

- 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 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, they knew (or had reason to suspect) that the goods to which the act or conduct relates were counterfeit; or
- they 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 concerning counterfeit goods.

LODGING A COMPLAINT WITH AN INSPECTOR

A complainant is someone with an interest in protected goods (including his or her lawyer, agent or representative), regardless of whether they are the holder or licensee of an IP right, or 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 a person is entitled to lodge a complaint with an inspector.

The complainant must lodge a complaint. This usually takes 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 if the complainant's suspicions appear to be reasonable. In order to conduct a search and seizure raid, an inspector must obtain a warrant (from a judge or magistrate having jurisdiction), except in certain exceptional circumstances. The issuing of the warrant will entitle the inspector to take various search and seizure steps. When no complaint has been laid, the inspector may, in certain circumstances, act on his or her initiative concerning 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, they 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. This notice will state the complainant's right to lay a criminal charge against the suspect within three days. No period is prescribed for when this notice must be given; however, current police practice requires that it must be issued immediately.

SEIZURE OF GOODS

An inspector who has seized any suspected counterfeit goods will seal them and record an inventory. This must be checked for correctness and certified by the person from whom those goods are seized. 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. These 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;
-

that 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, 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 customs authorities regarding counterfeit goods that are 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. Once an application is accepted, it is valid for 10 years.

In practice, when an application is filed and accepted by the commissioner, 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. If this is not provided, 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 their 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 brand identification training and to furnish any information that will assist and enable the officials to prevent the importation of counterfeit goods into South Africa.

CRIMINAL PROSECUTION

If, following the issuing 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, they must do so within three days of that notice being issued. If no charges are brought within three days, the seized goods must be released to the suspect unless the complainant exercises their right to institute civil proceedings.

Where a criminal charge is brought, the state must, within 10 working days of the seizure notice having been issued, 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 their right to institute civil proceedings. The State must then issue the criminal summons within 10 days of the aforementioned notice.

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, they must give written notice (within 10 days of the issue of the seizure notice) of their 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. However, a growing trend is to advertise counterfeit goods on a social media platform with a link directing consumers to the website. Although the CGA remains the primary legislation for 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 – meaning a disclosure that the 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 identifying 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 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. If the test purchase is confirmed to be counterfeit, an aggressive strategy of online takedowns, suitable letters of demand and/or offline enforcement action can be initiated.

ISP LIABILITY

Under the ECTA, internet service providers (ISPs) will not be held liable for solely providing access to the Internet and transmitting the data. However, an ISP 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, IP rights holders must develop an investigative strategy to combat dealing in counterfeit goods. 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, the contractual relationship must be controlled. There have been instances where the sources of counterfeit goods and grey 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, they must 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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Mohamed Khader
Jarred West

m.khader@spoor.com
j.west@spoor.com

13 Highgrove Office Park, Oak Avenue Centurion, Pretoria 0157, South Africa

Tel: 27 126 761 111

<http://www.spoor.com>

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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.

PREVENTIVE MEASURES AND STRATEGIES

An effective, multi-dimensional approach to anti-counterfeiting includes certain preventive 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.

ADAMS AND REESE LLP

Kristina Montanaro Schrader
Maia T Woodhouse

kristina.schrader@arlaw.com
maia.woodhouse@arlaw.com

Fifth Third Centre, Nashville TN 37219, United States

Tel: +1 615 259 1450

<https://www.adamsandreeese.com>

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