How to efficiently fight against counterfeiting in the fashion and luxury sectors?

Counterfeiting is the specific term, in intellectual property, referring to any infringement
The face of counterfeiting has profoundly changed in the last few years. The era of “homemade” counterfeiting is well behind us, as manufacturing and selling fakes has become a well-oiled industry, often financed by funds raised through drug trafficking, terrorism and other criminal organisations.

For a long time counterfeiting had been considered a necessary evil, especially in the luxury and fashion spheres, but its exponential surge has become such a threat that various business stakeholders are now reacting faster and meaner to contain this epidemic.

1. What rules and laws apply to fight against counterfeiting?

France, one of the countries most impacted by counterfeiting since French companies had such a large market share in the luxury and fashion sectors, and which benefits from strong lobbying institutions such as the Comité Colbert and the Union des Fabricants, was the first country to react against counterfeiting, passing the Longuet law in February 1994. Through these new rules, France made counterfeiting a more serious criminal offence, widened the scope of action of customs officials at French borders and extended the cases in which the confiscation of counterfeit products was possible.

Thanks to a new French law passed in March 2004, the prison sentence for the crime of counterfeiting was increased from 2
to 3 years and the fine from 150,000 euros to 300,000 euros, with more serious criminal sanctions of a 5 years’ jail term and 500,000 euros’ fine in case counterfeiting was carried on as part of a criminal enterprise with others.

At the European level, the European institutions became so concerned with counterfeiting, in particular because it can affect the health and safety of consumers, that they adopted two sets of rules to foster harmonisation in the fight against counterfeiting among European member-states, as well as international cooperation, in particular with intellectual property rights owners.

Thus, regulation 1383/2003/EC entered into force on 1 July 2004, and was later replaced by regulation 608/2013/EC that entered into force on 1 January 2014. This new European regulation relating to the intervention of custom authorities towards products suspected of being counterfeits, substantially extends the powers of customs services, offering a better protection against counterfeiting. In particular, the regulation widens the scope of protected intellectual property rights, as well as the right of information of companies or individuals requesting the confiscation of these counterfeit products. It also simplifies the process of destroying counterfeits.

In addition, the directive 2004/48/EC, relating to the measures and processes aiming at better protecting intellectual property rights, was passed in April 2004. This directive was transposed in each member-state of the European Union and created new tools for right owners to fight against counterfeiting.

2. Pragmatic tools for fashion and
luxury businesses against counterfeiting

So what tools do fashion and luxury companies have at their disposal, in order to efficiently fight against counterfeiting?

Some preventive measures are in order, as well as reactive and protective actions, once counterfeit products have been identified and/or are suspected.

Most luxury conglomerates adopt a systematic approach to eradicate the counterfeiting plague of their various brands and products. LVMH, for example, is famous for its “0 tolerance policy” against counterfeiters and employs large teams of in-house and private practice lawyers to monitor, scrutinise and police the wholesale and retail markets, online and offline.

In-house lawyers of these luxury groups set a customised anti-counterfeiting strategy for each brand in their portfolio, are in close contact with their external legal advisers, enforcement officers and customs officials, with whom they work directly in order to organise “raids” to seize and confiscate counterfeits, and in order to assess the progress of the fight against counterfeiting.

Experts think that 80 to 90% of worldwide counterfeits are manufactured in China and lament that the Chinese government turns a blind eye on this lucrative industry. Due to this lack of serious commitment from the Chinese authorities to eradicate counterfeits’ production on their soil, luxury and fashion brands cannot envisage requesting, and obtaining, the closing down of counterfeits’ manufactures and workshops in China.

Therefore, legitimate luxury and fashion businesses must do everything in their power to impede these counterfeit products.
from entering the markets in which these luxury and fashion companies sell, or intend to sell, their products.

There is another problem that fashion and luxury brands need to be mindful of, which is that of the “grey market”. Parallel imports, as they are also called, relate to the sale of authentic products, in a defined territory, by an entity that is different from the entity or person who has the right to distribute such products, as well as exploit such brand, in this territory. Parallel imports evade the price differences that may exist, for a similar product, between two territories.

In this “grey market”, there is, indeed, some infringement to the rights of the brand owner since these products are not distributed as such owner so wishes. Sales on the “grey market” are in breach with the requirements of selective distribution of luxury products, as they are sold like common products, in unapproved retail points, without advice, without any appropriate and particular service and, sometimes, even if they are defective.

To protect themselves against counterfeits’ imports and parallel imports, luxury and fashion brands must register information relating to their trademarks and products with the European Observatory Enforcement Database as well as nationally-managed databases. The Office of Harmonisation of the Internal Market (OHIM) based in Spain manages the European Observatory on infringement of intellectual property rights.

The European Observatory has now launched its Enforcement Database. The database allows right holders to upload information in relation to their trademarks, which is then stored in the database and can be accessed by rights holders, customs officers and the police alike. The aim is that the parties involved will be able to exchange and share information and communicate more easily through the database.
In France, companies can apply for a “request of intervention”, with the French customs, in order for customs services to increase their efficiency to detect counterfeits of products of these French companies. This process, easy and free to set up, valid for one year and renewable on demand, allows customs to retain for 10 days any goods suspected of being counterfeit. This timeframe allows registered companies to confirm to customs services whether the detained products are, in effect, counterfeits of their own products.

Another preventive measure is to protect the fashion and luxury products through authentication techniques. Protection of products can be re-enforced through technical solutions allowing the authentication of products, such as terahertz spectroscopy developed by the UK’s National Physical Laboratory, which may be used by customs soon, or taggant fingerprinting (uniquely coded microscopic materials that are verified from a database), encrypted micro-particles (unpredictably placed markings, such as numbers, layers and colours, not visible to the human eye), serialized barcodes, track and trace systems (which use codes to link products to database tracking systems), etc.

When the counterfeit products are, unfortunately, entering the territory in which luxury and fashion companies sell, or intend to sell, their products, then more muscular action is required.

France provides the best example of stellar efficiency in stopping a business from selling counterfeits. By way of summary judgements, the French courts can forbid the continuance of any counterfeiting actions, order the confiscation of the counterfeits, request that the counterfeit products be transferred to a third party, in order to stop the introduction or circulation of these products in French commercial channels. These summary judgements are very adapted to this evasive crime of counterfeiting and allow the quick interruption of any counterfeiting business and endeavour.
Summary judgements are often used by luxury brands because it is not necessary to have incontestable evidence of the counterfeiting, in order to enforce such summary judgements, as only enough elements in relation to the counterfeiting crime, giving sufficient evidence of the seriousness of the request, are necessary.

The French system also provides a quick and efficient mean of gathering evidence, entitled “saisie-contrefaçon”. This measure of judicial investigation allows the victim of counterfeiting to obtain, in court, the support of the police and law enforcement officers called “huissiers de justice”, to put at the courts’ disposal all the materials, products and earnings relating to counterfeiting endeavours and businesses. In order to be valid, the filing of a court case must follow the “saisie-contrefaçon”, within 15 days from the confiscation. This obligation seems reasonable in view of the fact that the “saisie-contrefaçon” is a measure which allows the individual or company who requested it, to enter, if need be with the support of police forces, inside the premises of a company or an individual, in order to review, research, create an inventory of, copy all, their archives, business files, bank statements, accounting books, as well as confiscate all products suspected of being counterfeits, without the subject of such intrusions having the right to oppose them.

It is standard practice for French courts to grant measures forcing Internet services providers to block access to counterfeiters’ websites on French soil or forcing Google and other research engines to de-reference and de-rank internet sites belonging to counterfeiters.

Damages that victims of counterfeiters can obtain in France are extremely substantial, since they comprise a punitive element and are correlated to the earnings made by the counterfeiters.

Other jurisdictions, such as the US, have put in place robust
procedures to stop counterfeiters from selling their products on national soil. However, it is worth noting that the fight against counterfeiting is much less of a priority in countries such as Italy (which is also a production centre of counterfeit garments, representing 20% of all garments manufactured in this country in 2003) and the UK (which, to the own admittance of the UK Intellectual Property Office, lacks sufficient resources and budgets to tackle “IP crime” in a systematic and large-scale manner).

Another very important aspect of the fight against counterfeiting are awareness campaigns that luxury and fashion brands, as well as law enforcement agencies, lobbying groups and Government Departments organise to better inform members of the public. For example, one of the most “punchy” awareness campaigns was the filmed crushing of thousands of fake Cartier watches by an army tank, in Place Vendôme, in Paris.

A few technology companies are now embracing the problem of cyber-counterfeiting with a passion. Asly, a text-based solution to combat counterfeiting in the Middle East, as well as Envisional and Netnames, two companies specialised in detecting, preventing and fighting against the dangers of online counterfeiting and piracy, seem to be at the forefront of this burgeoning, but much-needed, industry of services dedicated to fighting counterfeiting online. [divider]

As an intellectual property rights owner, you must creatively implement all solutions, within your budget, available to efficiently protect your brand and products against the brand dilution, loss of revenue streams and loss of brand reputation that counterfeiting invariably creates.

Annabelle Gauberti, founding partner of the London and Paris law firm Crefovi and president of the international association of lawyers for creative industries (ialci)
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