

Catching big fish

Using investigators for effective, well planned anti-counterfeiting enforcement

Arlana S Cohen, of Cowan, Liebowitz & Latman, New York, explains the need for careful planning before entering the war against counterfeit goods and successfully enforcing your IP rights

Effective enforcement of trademarks and/or copyrights against counterfeiters must begin with thorough and effective investigation.

In this regard, anti-counterfeiting litigation is much like other litigation. Surely one would not think to bring any action before all available facts are known, or bring any action against unknown parties. Yet some still attempt to fight counterfeiting in this way, using the 'fishing net' method of litigation, hoping somehow effective enforcement can be gained by throwing out a net and seeing what you catch, and then hoping the court will assist in such ill-advised activity.

While courts in the United States in the past routinely issued seizure orders, there is a trend against the issuance of orders in cases where specific facts are not supplied to the court, and rightfully so. Getting the facts requires working closely with private investigators trained and specialising in intellectual property law. In fact, only by working with these investigators do you learn what facts you really want or need to get in order to successfully

enforce your IP rights against counterfeiters.

Where do you start? First, you need to find the investigative firm to work with. In this regard, you don't need a firm with numerous offices worldwide, but one with worldwide contacts and experience as to the general flow of goods into or around particular regions of the world. That is, the investigators should be able to guide your investigations in Brazil, for instance, with knowledge of the Free Trade Zone, or guide your investigations in the European Union and/or the United States with knowledge as to the likely ports of entry, etc.

That said, the best results are obtained by using one investigative firm. My experience is, and I am certain it is shared by others, is that 'local' investigators can be generally untrustworthy and concerned most with exerting minimum effort and instead

maximising their personal profit. This is often at odds with the brand owner's overall strategy, particularly since they have no knowledge of such strategy.

The investigator should also have the stature and expertise to appear in court if necessary, to explain to the judge the entire background of the investigations performed. Often the mistake is made that an assistant of the investigator performs the investigation, but the 'lead' investigator appears in court. It is important that the assistant investigator work under the direct supervision of the lead investigator so that the lead investigator can independently corroborate each step taken by the assistant.

Effective testimony in court also requires the testifying investigator be conversant with the relevant statutes under which enforcement is being sought. In a US Lanham Act case, for example, knowledge of what specific facts will be needed to prove that in *this* case, not simply in cases against similarly situated defendants that but for the grant of an *ex parte* seizure order, the counterfeit merchandise will either be

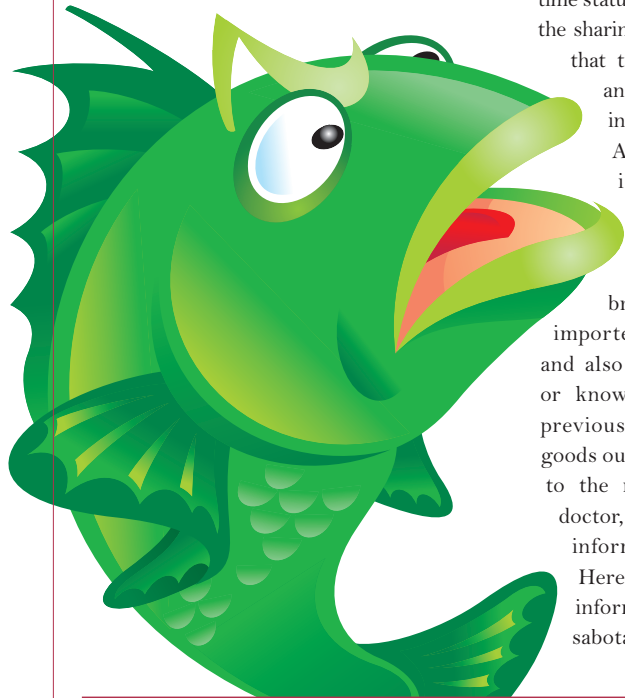


In summary

- It is not necessary that an investigative firm has numerous offices worldwide, but choose one with worldwide contacts and experience as to the general flow of goods into or around particular regions of the world
- Get recommendations from people working in this area and from trusted colleagues regarding your choice of investigator. Meet with multiple firms and see with whom you most feel comfortable
- The investigator should also have the stature and expertise to appear in court if necessary, to explain to the Judge the entire background of the investigations performed
- Before you file, know what you need to prove, and have your investigator get the needed elements

destroyed or assets moved if the defendant is given notice of the action.

Getting these facts includes 'working the case,' to be able to show prior acts of secretiveness on the part of *this* defendant, not



My experience is, and I am certain it is shared by others, is that 'local' investigators can be generally untrustworthy and concerned most with exerting minimum effort and instead maximising their personal profit

merely similarly situated defendants. Such acts include seeking to meet in secret locations, speaking only on cell phones, referring to the trademarked products only by a code name, etc. These facts, in the hands of a knowledgeable investigator can, and often will, make the difference between getting, or not getting, your requested relief.

Working with the investigator

The chosen investigative firm should help you decide where and how to get the most 'bang for your buck.' That is, with pieces of information coming in from all over the world it can now be collected in one place, and analysed. Thus, assuming multiple targets are identified in multiple jurisdictions, the use of one firm also aids the brand owner for the purpose of record-keeping, non-duplication of efforts and focusing efforts on higher crisis matters while keeping track of all other matters.

This is not to say the company or attorney should simply delegate this function. Often a

company employee learns of an issue from a licensee or distributor and this information could be lost without good internal record-keeping. I have found keeping an interactive database where the company and investigator can share information, creating, in effect a real time status report can be very helpful. It fosters the sharing of information and helps to assure that timely consideration of leads can be analysed, and thus pursued, by the investigator.

Accordingly, effective enforcement is best accomplished when the information flows both ways. The investigator should be made aware of the identity of the brand owner's authorised licensees, importers, manufacturers and factories and also be told of any problem licensees, or known retailers or others who were previously found to be trans-shipping goods out of any particular territory. Similar to the relationship with your with your doctor, nothing is gained by withholding information from your investigator. Here, much is gained by the sharing of information and the failure to do so could sabotage your overall strategy.

It is understandable you may not wish to tell all to an investigative firm with whom you are unfamiliar. Get recommendations from people working in this area and from trusted colleagues regarding your choice of investigator. Meet with

multiple firms and see with whom you most feel comfortable. Perhaps try a small investigation first. The point is, before you disclose sensitive information, you should first feel comfortable that the information disclosed will not later harm the company in any way.

You and the investigator can now prepare an action plan. But, what are you looking for? Why are you looking? As we all know, there is counterfeit product everywhere and Customs is helping to seize product worldwide. One reason to mount an investigation, however, is to find the 'big fish.' You are looking for patterns, connections between seized products in Honduras and in Italy. Otherwise, you are only reacting to the problem, acting country-by-country, little fish by little fish, rather than taking the time and effort needed to combat your counterfeiting issues effectively on a global scale.

Let's assume you are representing a client, or you are a company which is an owner of well-

known international brands. Look at the counterfeit product and sellers thereof which is readily accessible, on the internet, on the street corner, in numerous discount stores. Once the information is assembled about these known entities a pattern will emerge. Or, when investigating little fish – a skilled investigator's pursuit of larger quantities of product will often lead to the larger distributor. Once a number of large distributors are located, focus on these.

This is not to say the 'little fish' are of no consequence. The little fish exist only because of the big fish. However, it takes patience, and yes, funds to pay the investigators, to get your best result. Too many brand owners get caught up in the mentality of trying to make an example of retailers in New York's Chinatown, for instance, or flea markets in London. Although these mini-actions will sometimes make management feel better, like any other quick high, it does not last long, and does precious little in the long run to lessen the formidable cost to the brand in its diminishment of value.

A comprehensive anti-counterfeiting plan of action therefore, includes looking at the little fish with the goal of continually looking for the bigger and bigger fish. The connections are there, but only with effective investigation and with patience will you find them. With proper investigation you will find the counterfeiter's assets, thereby making your enforcement efforts a win-win situation, or at least a break-even exercise.

Assuming some of these large distributors are in the US, the EU, or other countries where assets can be located (by a licensed investigator) and where ultimate collection is probable (unlike, say, in China), the focus should next be on planning legal action.

Bringing legal actions

Once the subject and venue are identified, careful preparation of litigation papers is needed to get the desired result. You must research in the jurisdiction you have selected must to be certain no additional requirements are customary in such jurisdiction. This is where the attorney guides the investigator. Before you file, know what you need to prove, and have your investigator pursue the required elements.

The remainder of this article focuses on applicable US law with regard to seeking an order for *ex parte* seizure at the defendant's place of business. Nevertheless, it is likely many of the principles apply to such actions in jurisdictions outside of the US.

The Lanham Act specifies in Section 1116(d)¹ that which must be set forth in litigation papers to obtain relief in the form of an *ex parte* seizure order. First, to qualify for relief under the statute, the defendant must be using a counterfeit copy of a mark that is registered in

the United States Patent and Trademark Office for the particular goods sought to be seized. There are a multitude of other statutory requirements, but you must clearly identify:

- A particular description of the matter to be seized, and the a description of each place at which such matter is to be seized; and
- that the defendants would move or destroy such matter if the applicant were to proceed on notice to such defendants.

In a recent case, *Lorillard Tobacco Co v Bisan Food Corp et al*, the Third Circuit affirmed the denial of an ex parte seizure order where, although the locations of the defendants were clearly identified, the plaintiff failed to prove the defendants were likely to hide the evidence, fail to appear in court, etc, since they were, 'established' businesses. That is, since these tobacco retailers had physical stores in New Jersey and since the plaintiff had not spelled out why they would suddenly hide or flee, the Court found the plaintiff had not met the stringent standard necessary for the grant of the extraordinary relief of a seizure order. This case makes it clear that doing your homework is not only preferable, but will be required by the courts.

In some situations, where large sums of money are at stake and solid evidence exists that *this* defendant would hide or move assets, it is possible to request the court to freeze the assets of the counterfeiter, *ex parte*, in your initial seizure order request³. Otherwise, subpoenas to banks in the areas of the defendant's business operations can be served immediately upon the grant of the seizure order (which includes a provision that discovery begin immediately). This can at least inform the court that assets exist and that, if they are removed pending the hearing of the action, great latitude will be given when seeking to recover and find these moved assets. When the seizure takes place, this is your chance to find even more assets, patterns, etc, continuing the cycle until one major ring of counterfeiters is effectively deterred.

Proper execution of the seizure order is essential. The attorney is obligated under the Lanham Act to ensure every aspect of the seizure is performed within the parameters of the law and within the bounds of the Judge's order granted. That is, the attorney is charged with the obligation to follow the terms of the order, so that if you were given the right to seize counterfeit product 'x' and documents related thereto, it is the attorney's role to ensure product 'y' is not seized, even if it appears to be counterfeit. The attorney must give the defendant a receipt for all products seized and all records taken, and generally seizure orders require the records be photocopied and returned within 48 hours.

In the context of the execution of the seizure order, being able to trust your chosen investigator during the seizure is of paramount importance. I've seen investigators (none of whom I would ever work with a second time) attempt to take a sample of product 'y' hoping to drum up another seizure action with that brand owner – or take a few extra t-shirts in the trunk of his car for his family and friends.

On the other hand, an investigator with the qualifications set forth previously in this article

will be somehow liable.) Here, use your company's own or use an outside law firm's paralegals to do much of the 'grunt' work, then pass it on to your investigative firm to find the patterns, connections, etc.

With proper investigative help, you will eventually find and get your just rewards. No one can, or should, promise that all counterfeit goods will be banished from the planet. In a perverse manner of speaking, this is a cost of your success. But by nailing the big fish and establishing a reputation as a tenacious defender of your IP rights, you can minimise the damage.

Counterfeiters and legitimate manufacturers or retailers of branded goods have one thing in common, to maximise profits. If, for example, Company A and Company B both manufacture and market popular footwear, but only Company A aggressively pursues the counterfeiters at the source and retail, which company is more likely lose market share? This hopefully rhetorical question lends itself to a simple answer: knock-off

Company B's shoes, as the cost of doing so is minimal by comparison. Thus the overall savings of the removal of counterfeit goods should not be measured solely by the removal of 'x' number of illegal goods from the marketplace, but also by the fact that those who hope to profit by exploiting your IP rights will look instead for an easier, and therefore more profitable, mark.

In the absence of a first-rate investigator and legal team, your odds of achieving this goal are slim indeed. Position yourself as a formable player in the war against counterfeit goods – one who makes your efforts widely-known through press coverage – and the benefits should greatly overshadow the cost of investigating these crimes. ❄

Notes

1. 15 U.S.C 1116(d).
2. 71 U.S.P.Q.2d 1953 (CA 3rd 2004).
3. See *Reebok International Ltd v Marnatech Enterprises, Inc*, 23 U.S.P.Q. 2d 1377 (CA 9th 1992).

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will also know his or her role at the place of seizure. That is, the investigator should be looking for and helping the attorney find books and records relevant to the counterfeit product, and helping to match product code names to the files. Look for phone records, bank records, shipping documents, and take the computer's hard drive. And, don't forget to take the garbage - it can be full of useful information!

Bringing it all back home

Now you have a lot of information to sort through. Some documents may need to be translated, phone bills need to be analysed, and shipping documents need to be examined to prove the prior transactions in these goods. Subpoenas need to be prepared so that known banks holding the defendant's money will be aware of the matter (whether or not the account has been restrained pre-seizure, some banks, when served with a copy of a Court order will give you some leeway to you and not allow funds to be transferred, in fear they

About the author

Arlana S Cohen is a partner at Cowan, Liebowitz & Latman, PC, in New York, a boutique law firm focusing on IP as well as other related matters. Ms Cohen's practice includes all areas of trademark law, with particular emphasis in trademark licensing, branding, and litigation. She has extensive experience in the area of anti-counterfeiting litigation and has obtained multiple seizure orders in New York and New Jersey as well as in Philadelphia, Houston, Cleveland and Los Angeles.

