

“Anti-Counterfeiting Measures”

Chapter 1. The reality of counterfeit goods

(Sakura)

Hi, I'm Sakura.

(Eddy)

And I'm Eddy.

(Sakura) and (Eddy)

Come with us and learn the measures you can take against counterfeit goods.

(Sakura)

On the Japan Patent Office website there's a game where you have to pick which product is counterfeit and which is genuine. Can you tell?

(Eddy)

Huh? They look the same to me.

(Sakura)

Actually, this counterfeit is what we call a copycat product — an almost perfect copy.

(Eddy)

How am I supposed to tell, then? OK, it's this one.

(Sakura)

Wrong! This is the genuine product.

(Sakura)

There are many counterfeit goods on the market that are so good consumers can't tell the difference. It's a significant problem that hinders growth for manufacturers of genuine goods.

(Eddy)

Is that so?

(Sakura)

Let's look at some of the measures taken to prevent counterfeiting.

(Eddy)

These days in Japan you don't see counterfeit goods sold openly in shops. Can you still buy them here?

(Sakura)

People have changed the way they shop, and vendors of counterfeit goods have changed their methods too.

(Narrator)

More and more people shop online now, so the counterfeiters have followed, selling counterfeit goods over the web rather than in stores.

(Narrator)

The Japan Patent Office's Report on Survey of Counterfeit Damages for Japan's fiscal 2012 found that among 944 companies that suffered damage from counterfeiting, 62.3% of cases were due to internet sales. That's the highest ever, and the numbers have risen every year for the last five years.

(Narrator)

Most damage comes from unauthorized use of trademarks and other intellectual property rights, and from websites selling counterfeit goods.

(Eddy)

I see really inexpensive products online claiming to be genuine. Those must be fakes, right?

(Sakura)

Probably, but you can't always tell an counterfeit goods by their price. You have to be careful since counterfeiters often charge similar prices to the genuine goods in order to confuse consumers.

(Sakura)

Vendors of counterfeit goods often use untraceable servers and domestic and foreign online shopping and auction sites. Many goods advertised as parallel imports often turn out to be counterfeit goods.

(Sakura)

When you look at the IP rights that suffer from counterfeits sold on the internet...

(Eddy)

The biggest number is trademark infringements.

(Sakura)

Trademark infringements are most common, but there are also significant problems with design rights and copyrights.

(Narrator)

With the spread of broadband internet we've seen a rapid switch to watching movies and listening to music over the net. Simultaneously, the piracy of such content has become a large problem.

(Narrator)

Counterfeiters have developed sophisticated methods using intermediary sites and file storage sites.

(Narrator)

Intermediary sites don't host pirated content, rather they provide links to sites where it is stored. File storage sites supply uploaded copies of data stored on hard drives. The spread of such new types of sites has greatly increased the damage caused by counterfeiting.

(Eddy)

Counterfeit goods cause significant damage, right?

(Sakura)

Yes. So the Japanese government has set up an office to help control the damage caused by counterfeit and pirated products.

(Narrator)

The Office of Intellectual Property Protection was established in 2004, in response to requests from corporations. In addition to providing advice on anti-counterfeiting measures, the Office also acts as an information clearing house. It handles an ever-growing number of cases.

(Narrator)

According to the JPO Counterfeit Damage Survey Report for Japan's fiscal 2013, over 20% of Japanese companies reported damage from counterfeit goods in recent years.

(Narrator)

The great majority of this damage is caused by trademark rights infringements.

(Narrator)

The four types of products most often counterfeited are general goods, machinery, electronic and electrical goods, and foodstuffs.

(Narrator)

We tend to think that counterfeits cause damage because they suppress sales of genuine goods, but that's not all. Reduced sales caused by an influx of counterfeit goods is just the short term damage. A far greater concern is the adverse effect on corporate and brand image from a market filled with low quality counterfeit goods.

(Sakura)

I imagine you think counterfeits only damage corporations?

(Eddy)

Well, yes...

(Sakura)

It's not just corporations. Consumers who buy these counterfeits are also victims. For example, counterfeit food products can harm your health, and fake parts fitted to your car could cause an accident.

(Eddy)

So consumers can also be victims if they buy unsafe counterfeit goods?

(Sakura)

That's right. And when consumers buy counterfeits thinking they are genuine, they complain to the real manufacturer. Counterfeits can damage the brand image even of companies that make and sell high quality products.

(Narrator)

When the market contains both genuine and counterfeit goods, consumers wanting genuine goods often buy low quality counterfeits by mistake. Because of this consumers become less motivated to purchase.

(Narrator)

In the long term, this can affect the sales and market share of genuine goods. It can be a major blow to a company that has invested time and effort in making and selling fine products. That's why it's very important to take appropriate measures.

(Eddy)

If a company discovers its products are being counterfeited, what should they do?

(Sakura)

Some decide to ignore the matter because it doesn't affect sales much, but it's always important to act immediately when you find a counterfeit.

(Eddy)

What exactly should they do?

(Sakura)

The first thing is to determine the origin of the counterfeit product. Preventing manufacture is the most effective method for eradicating counterfeits. It's important to investigate the entire channel from distributor to manufacturer, not just the vendor.

(Narrator)

If it's too difficult for a company to trace the distribution channel by itself, they can employ an investigation agency. Very often, counterfeit goods are manufactured and sold overseas and then imported, so the first step is to determine the distribution channel.

(Narrator)

Conducting investigations overseas places a heavy burden on corporations. In Japan various local authorities and organizations have set up systems to subsidize infringement investigations and help small and medium sized businesses exercise their IP rights overseas. Some of them go beyond simply supplying financial assistance, and they themselves conduct infringement investigations, drawing up warning notices to infringers based on the results of those investigations, and even implementing administrative enforcement.

(Eddy)

So once we have determined the counterfeit distribution channel, what do we do next?

(Sakura)

It's important to obtain an actual counterfeit product. This will be vital evidence for a court case or any other measures you take. You also need it to ascertain the existence of an infringement.

(Sakura)

As well as tracing the distribution channel and obtaining a counterfeit product, there is

another important thing you need to do.

(Eddy)

What's that?

(Sakura)

You have to verify your company's IP rights.

(Narrator)

To protect your company's products from being counterfeited, first you need to study what kind of rights you have, and what measures are available to protect those rights.

(Narrator)

Intellectual property rights are an extremely broad concept, ranging from industrial property rights such as patents, designs and trademarks, to copyrights and layout-design exploitation rights. What measures you can take will depend on the rights you own, so it's important to determine your rights in the product being counterfeited. Registration is required for all rights, except copyright and neighboring rights.

(Narrator)

The kinds of IP rights that you can exercise also vary depending on the legal system of the country where the measures will be taken. In Japan, for instance, at a minimum you can exercise your rights under the Unfair Competition Prevention Law.

(Eddy)

What kind of law is that?

(Sakura)

It's a law intended to maintain fair competition between businesses and protect business profits. Even if you don't own a patent or trademark or other right in the counterfeited product, you can still take action based on this law.

(Eddy)

What kind of anti-counterfeiting measures are there?

(Sakura)

These will be different in each country, but the measures available against counterfeit goods already in circulation are administrative enforcement, criminal prosecution and civil action. Before taking such measures, you may consider sending a warning letter.

(Eddy)

What is administrative enforcement?

(Sakura)

This is when an administrative body with jurisdiction, such as an IPO, Trade Ministry or Industry Ministry, takes action to investigate the suspect and examine the suspected infringing products.

(Eddy)

Is administrative enforcement available in all countries?

(Sakura)

It's more common in countries where administrative power is relatively strong, such as China or Vietnam. In countries like Japan, the US or the UK, administrative enforcement is usually restricted to customs and border agencies.

(Narrator)

The measures taken will be different in each country, depending on that country's system, the existence of rights there, the kind of damage, and the intent of the infringer.

End of Chapter 1