

“Anti-Counterfeiting Measures”

Chapter 3. Activities by Japanese Enterprises to Eliminate Counterfeits

(Sakura)

In Part Three, we'll learn about the activities taken by Japanese enterprises to eliminate counterfeits.

(Eddy)

OK!

(Sakura)

When a counterfeit is found, who do you think initiates the first action?

(Eddy)

I don't know.

(Sakura)

Generally, to eliminate a counterfeit product, it must be the person suffering damage from the counterfeit and who holds the right to eliminate that initiates action. Accordingly, it is necessary for corporations to recognize that securing their rights must be their top priority. They can't just rely on third party intervention to resolve the problem. They need to take affirmative action.

(Eddy)

Ah, so in practice are there any hindrances facing companies when they try to eliminate the counterfeits?

(Sakura)

Japanese corporations, especially small to medium sized businesses, face three main hindrances to the elimination of counterfeits.

(Narrator)

First, much effort is involved. To eliminate a counterfeit product, the company suffering damage must gather evidence proving counterfeiting and identify the manufacturer. It requires great effort to independently trace the manufacturer and vendor of the counterfeit.

(Narrator)

Next are the heavy costs involved. In the majority of cases, even if you win a lawsuit against a counterfeiter, the damages awarded will not cover the costs of eliminating the counterfeit product.

(Narrator)

And finally, there is the problem of weak penalties. Many countries have weak penalties for counterfeiting, and for the counterfeiter the profits from continuing the crime often far outweigh the fines. So the counterfeiter simply continues counterfeiting under a new alias. In these cases, for the company suffering the damage, it can feel like playing whack-a-mole, with the same opponent continually reappearing. These are the kinds of hindrances that corporations face when taking anti-counterfeiting measures.

(Eddy)

What can be done to overcome these hindrances?

(Sakura)

To prevent measures to eliminate counterfeits being abandoned before they succeed, a company needs to establish a firm policy and to be prepared to adopt any stance to eliminate counterfeit goods. It's also important to develop a strategic approach for effectively eradicating counterfeits.

(Narrator)

These are the results of a survey asking enterprises about their stances on eliminating counterfeits. 15% of the companies replied that they implement a strict policy of eliminating counterfeits. The small number responding with this ideal reply reflects the real world facts of limited budgets and cost-effectiveness. Large enterprises can employ a strict policy of elimination, but most small to medium sized enterprises are frustrated by their inability to bridge the gap between this ideal and reality.

(Eddy)

How do we approach anti-counterfeiting measures from the corporate management standpoint?

(Sakura)

Corporate management considers the overall advantages and disadvantages for the corporation as a whole before implementing anti-counterfeiting measures. The reason is their brand strategy.

(Narrator)

Any harm to the brand image can cause enormous damage. Corporations intend to keep this damage to a minimum by taking firm action against any acts that harm their brand image.

(Narrator)

Corporations also have a mission to protect consumers from the potential harm caused by counterfeit versions of their products, and for this reason, too, it is necessary to pursue continuous anti-counterfeiting measures.

(Eddy)

What kinds of actions do corporations take to eradicate counterfeits?

(Sakura)

Recently, corporations suffering damage from counterfeits have begun to take a strategic approach toward eliminating counterfeits. Let me illustrate this with some practical cases.

(Sakura)

Practical actions to stop counterfeiting include managing your OEM contract factories, affixing hologram seals, and implementing a combination of counterfeit prevention measures.

(Narrator)

When making an OEM contract to have your brand products manufactured by an overseas factory, it is important to strengthen management of manufacturing processes as well as product quality control, in order to prevent the distribution of counterfeits.

(Narrator)

A typical method to ensure that genuine goods can be easily distinguished from counterfeit goods is to affix a hologram seal.

(Narrator)

In recent years, reports indicate that affixing hologram seals to boxes of products has succeeded in simplifying customs inspections.

(Narrator)

Counterfeiters are now so skillful at imitating genuine goods that single measures are no longer adequate. Many manufacturers report that they are now employing a combination of anti-counterfeiting measures.

(Eddy)

What methods can we use to discover counterfeits?

(Sakura)

Methods include obtaining information, monitoring trade shows, monitoring the Internet, and employing investigation agencies.

(Narrator)

One method of obtaining information is to get it from sources such as Japanese corporate employees, local branch office staff overseas, expatriate staff and dealers.

(Narrator)

Customers should be persuaded not to buy counterfeits, since these have been made without consideration for safety and could harm users. Information about counterfeits can also be obtained from customers.

(Narrator)

Other methods include sending corporate anti-counterfeiting staff to monitor trade shows and requesting enforcement agencies to remove counterfeits from the shows.

(Narrator)

As the number of online shopping sites and auction sites dealing in counterfeits continues to grow, Internet monitoring has also become an important way to discover counterfeit goods.

(Narrator)

You can obtain information from local investigation agencies and aggressively use investigation agencies to search for counterfeits. Companies are finding that they can increase the accuracy of their information by employing multiple investigation agencies on annual contracts and by offering contingency fees.

(Eddy)

Sakura, can you take action to combat counterfeits only after they appear on the market?

(Sakura)

No, there are also measures you can take before they appear. These are measures against usurped applications. A usurped application is an application made by someone who does not possess a valid right to another party's intellectual property.

(Narrator)

An example of a usurped trademark is when someone discovers a brand or product design on the Internet that has become famous in another country, submits an application before the originating company, or registers the trademark in a field of products or services not covered by the original brand, and asserts that they have the right to use that brand.

(Sakura)

There are two methods to prevent this: to monitor for usurped applications, and to expand the scope of your registration.

(Narrator)

The most common method to monitor for usurped applications is to request a local patent or law office to do it for you. You can then file an objection to prevent the registration.

(Narrator)

You can expand the scope of your trademark by applying and acquiring registration outside your company's current business domains.

(Sakura)

Coordination with various groups is necessary to increase the effectiveness of your anti-counterfeiting measures.

(Eddy)

What kind of groups do you mean?

(Sakura)

In Japan you should coordinate with other members of your industry group.

(Narrator)

In Japan non-profit organizations were set up with the main objective of promoting the growth of the industry as a whole. These provided a place where people in the same industry could exchange information on how they are being damaged by counterfeit goods and on methods to eliminate counterfeiting. The result was that groups from the auto, electrical, electronics, machinery and other industries formed initiatives to take aggressive group action to eliminate counterfeits. Companies suffering from counterfeits, in addition to their own anti-counterfeiting activities, also took part in these activities as members of their industry group. For these companies, coordinated action resulted in increasing the effectiveness and lowering the cost of eliminating counterfeit goods.

(Eddy)

Can you coordinate with anyone else besides your industry group?

(Sakura)

Yes, of course. If a company is expanding abroad, there are cross-industry groups for various countries and regions.

(Narrator)

At first, corporate headquarters in Japan managed the company's response to the problem of counterfeit goods. This developed into a more proactive approach where training sessions about counterfeiting are given overseas by either expatriate staff with local experience of counterfeit damage, or by IP specialists dispatched from headquarters to overseas branches.

(Narrator)

Intellectual Property Group Offices have been set up in China, South Korea, Thailand and India, etc to promote proactive anti-counterfeiting measures through activities such as seminars and

information exchanges.

An IP network has also been set up for the Southeast Asia region. It serves as a forum for companies under threat from counterfeit goods as well as companies suffering actual damage, to obtain information on how to implement anti-counterfeiting measures.

(Narrator)

In Japan industry group activities contribute to lowering the cost and increasing the effectiveness of measures to eliminate counterfeit goods, but unless there is strengthened enforcement by government agencies and increased penalties in the countries and regions where they are operating, the number of consumers falling victim to counterfeiting will not fall.

(Narrator)

The International Intellectual Property Protection Forum was established in response to calls for a cross-industry platform where companies can coordinate and collaborate with the Japanese government with the aim of eliminating counterfeit goods.

(Narrator)

This chart outlines the system of multi-layered coordination. Anti-counterfeiting activities cannot be limited to one country or region; they must be coordinated throughout a wide area. This cannot be done without obtaining information on the different situations in each country or region, and this requires a multi-layered approach.

(Eddy)

Are there any reference materials for staff put in charge of anti-counterfeiting measures?

(Sakura)

Of course.

(Narrator)

It's very hard for a company to devise anti-counterfeiting measures based simply on its own experience. Case studies and manuals prepared by government agencies and other organizations provide far wider access to knowledge. A single company would have to spend an unknown number of years at great expense to accumulate this information. Instead, government produced materials can provide encouragement and support to companies that aren't sure of how to tackle the problem of counterfeiting.

(Eddy)

Is there cooperation between the different enforcement agencies?

(Sakura)

Various methods are being used to strengthen cooperation.

(Narrator)

It is sometimes difficult for enforcement agencies to distinguish between counterfeit and genuine goods. The customs authorities in each country use an IP rights registry system, and it is possible to have your product listed for enforcement. However, it has been found that more effective enforcement can be expected if individual companies provide customs with information on how to identify counterfeit copies of their products. Companies can also contribute to smoother customs operation by supplying information to help customs distinguish their official export/import agents and agents exporting or importing counterfeits.

(Narrator)

Industry groups exchange ideas and hold anti-counterfeiting seminars for customs and other enforcement agencies. Companies that are members of such groups can proactively supply information by participating in these activities.

(Eddy)

Is there anything we should bear in mind when bringing a lawsuit?

(Sakura)

To stop counterfeiting, you must find the manufacturer of the counterfeit goods, obtain evidence and inform the enforcement authorities. However, identifying the manufacturer of the counterfeit goods is extremely difficult.

(Narrator)

These manufacturers may simply be filling an order placed by the true culprit masterminding the counterfeit scheme. And even if you uncover the identity of the mastermind or the manufacturer, local circumstances may still not permit litigation.

(Narrator)

Recently companies are reporting that they are combatting this situation by strategies such as aggressively pursuing the distributors, and when litigating locally against retailers, naming the manufacturer as co-defendant.

End of Chapter 3