

“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

Chapter 2. Anti-Counterfeiting Measures in Japan

(Sakura)

In the second part, we'll look at measures available in Japan to respond to damage from counterfeit goods.

(Eddy)

Right.

(Sakura)

So Eddie, what do you think is the best way to combat the spread of counterfeit goods within Japan?

(Eddy)

Well...

(Sakura)

Actually, there are many ways, depending on the situation.

(Narrator)

In Japan, the main methods are to take civil action, seek criminal penalties where applicable, and request a customs suspension.

(Narrator)

In civil procedures, if both parties intend to negotiate, the right holder first sends a warning letter.

(Narrator)

If the right holder plans to take the case to court, they can institute a civil action to request an injunction or claim damages. The measures to be taken should be decided after considering how Japanese laws apply to the holder's IP rights and to the kind of damage.

(Sakura)

Now let's look at the kind of Japanese laws related to anti-counterfeit measures.

(Narrator)

In Japan, IP rights are not protected by a single law. Instead, a number of laws, including the Patent Act, the Utility Model Act, the Design Act, the Trademark Act and the Copyright Act, contain provisions regarding infringement. In addition, the Unfair Competition Prevention Act applies; for litigation there is the Civil Code and the Code of Civil Procedure; and the Penal Code is applicable where criminal penalties are involved. There are also provisions for protecting IP rights in the

Customs Act and the Provider Liability Limitation Act. Which of these many laws is applicable depends on factors such as the kind of counterfeit, the rights held, and what measures are to be taken.

(Sakura)

Let's look at the measures available when someone is selling a product that closely resembles yours, and even bears a similar trademark.

(Sakura)

The first step is to send a warning letter.

(Narrator)

The warning letter must clearly state your rights, describe the actions of the other party and how they infringe your rights, and demand that they cease the infringement. You may also have to ask them to state the amount of infringing products sold and their proceeds.

(Eddy)

Why do you send a warning letter first, instead of immediately taking them to court?

(Sakura)

That's because not all infringers are acting deliberately. Sometimes a warning letter will resolve the situation.

(Narrator)

How is it possible to infringe unintentionally? For example, someone might be selling counterfeit goods that they believe are parallel imports. It's also possible to infringe by omission, meaning they are unaware that someone else owns rights. In these cases too, the first step is to send a warning letter. This should inform them that they are acting without authorization, that they are infringing on your IP rights, and demand that they stop. This may be enough to make them realize their wrongdoing and cease infringing.

(Eddy)

Is it very common to send warning letters?

(Sakura)

Yes. For trademark infringements it's normal to start by sending a warning letter. If the offending party stops infringing, the matter can be resolved without the cost and time for both sides of legal or other action.

(Eddy)

How do people respond to a warning letter?

(Sakura)

They might accept they are at fault and immediately stop. They might deny they are infringing and continue selling. They might agree to negotiate. Or they might ignore the warning.

(Narrator)

If the recipient of the warning letter agrees to stop, and to negotiate damages or other compensation, then the matter is resolved.

(Narrator)

However, if the infringer ignores the warning letter or denies that they are infringing, the next step is to move to litigation or other measures. The main reasons for denying that they are infringing are that the right holder does not have a valid right, that they possess a license agreement, or that the product is a parallel import.

(Sakura)

Let's look at how litigation can be used. The litigation measures against counterfeiting and infringement are criminal prosecution and civil action. These are mainly used to obtain injunctions to stop infringing acts or to claim damages.

(Narrator)

To start a civil action, the first step is to submit a petition to the court. In Japan's three-tiered court system, civil actions are normally heard by the district courts that make up the first tier. Because of the special characteristics of IP infringement cases, these may also be brought before the Tokyo and Osaka District Courts in addition to the original court having jurisdiction.

(Narrator)

In addition to holders of patents, trademarks and other IP rights, infringement suits may also be brought by exclusive license holders and exclusive use holders. However, non-exclusive license holders and non-exclusive use holders only have the right to use but not to demand an injunction, and so they cannot claim compensatory damages.

(Narrator)

The Unfair Competition Prevention Law is a law governing certain specified offenses and does not refer explicitly to categories of right holders such as patent or trademark right holders. Any person who has suffered or is in danger of suffering damages to business profits through unfair competition has the right to bring an action under this law.

(Narrator)

The right holder bringing the case is already suffering damages from the counterfeit goods, so it is first necessary to act quickly to stop the infringing acts. In Japan this is done by means of a provisional injunction. In a separate procedure from the main court action, a provisional injunction may be obtained to stop the infringing acts until the main case is decided. In speedy cases, the court may issue this order within two to three months. However, in order to obtain a provisional injunction order, it is necessary for the plaintiff to put up collateral, and damages will not be awarded until the case is decided.

(Sakura)

This chart shows what happens after you submit a petition to the court. Since this is a civil action, a settlement may be reached during the trial, and this is sometimes advised. Settlements are possible at any point up until just before the conclusion of the trial. A record of settlement has the same binding effect as a court judgment.

(Eddy)

Is that so?

(Eddy)

What kind of claims does a plaintiff make?

(Sakura)

The plaintiff should assert their grounds and the amount of their claim, and request an injunction and compensation, as well as the destruction of the counterfeits.

(Narrator)

The grounds for the claim mean specifying the plaintiff's trademark right, details of the defendant's infringing acts and the amount of losses.

(Narrator)

The defendant counters these claims with a written reply arguing that the plaintiff's assertions are false. They might argue that their actions do not constitute an infringement, or that they caused no damage to the plaintiff.

(Narrator)

Why might the assertions of a trademark right holder be inapplicable? The defendant could argue that there is no infringement of rights since, for example, the plaintiff does not own a valid right, there is no similarity with the plaintiff's trademark or product, or the defendant has a legitimate right to use.

(Narrator)

It is very difficult to establish the exact value of the damage caused. In Japan rules for estimating damages are laid down in the Trademark, Patent and other relevant laws and the amount can be calculated based on these. The plaintiff can also request the defendant to submit accounts and documentation needed to calculate damages. At the conclusion of the trial, if the parties are not satisfied with the judgment, they can appeal to a higher court.

(Eddy)

I think I understand how a civil procedure works. Is it also possible to pursue criminal liability?

(Sakura)

Yes. If you pursue criminal liability for an IP infringement, penalties are laid down in IP laws such as the Patent Law and Trademark Law.

(Narrator)

The penalties stipulated in the IP laws are essentially a part of the penal code and so the provisions of the criminal law apply. This means that willful intent must be proven to establish an infringement offense. Attempted infringement or negligent or failed actions will not be held liable for infringement. Infringement offenses may be punished by a fine or a prison sentence, or both.

(Eddy)

What other means of conflict resolution are there, apart from the courts?

(Sakura)

The most effective method is to make a request to customs.

(Sakura)

Since most infringing products in Japan have been imported from abroad, obtaining a customs suspension is extremely effective in preventing their distribution domestically.

(Narrator)

The customs suspension system works like this:

When an IP right holder determines that a cargo about to be imported will infringe their right, they apply to the Chief Customs Inspector to initiate identification procedures.

(Narrator)

Most countries have procedures for making such applications to customs. The difference in Japan is that, in addition to trademarks, an application can be made on the basis of patents, utility model, designs, copyrights and plant breeder's rights.

(Narrator)

An application for customs suspension can also be made on the basis of the Unfair Competition Prevention Law. The right holder first submits an application for suspension to the Chief Customs Inspector. If necessary, advice is requested from a specialist committee, and then customs decides whether or not to accept the application.

(Narrator)

If a customs investigation finds suspected goods, customs notifies both importer and right holder that identification procedures have been initiated. Both parties submit their opinions and evidence concerning the suspected goods to customs. The contents of the submissions are disclosed to both parties as far as possible and both are given an opportunity to present objections. On the basis of this, customs decides whether the goods are infringing or not.

(Eddy)

Why are expert advisors consulted about the application for suspension?

(Sakura)

Sometimes it is too difficult to decide on the application for suspension from the submitted documentation only. Appropriate expert advisors are selected for each case from a registry of lawyers, patent attorneys and academics.

(Eddy)

If the infringement is recognized, what happens next?

(Sakura)

If the importer objects to the decision, they can file a formal objection. If the importer does not file an objection and does not voluntarily dispose of the infringing goods themselves, customs will confiscate and destroy the goods.

(Eddy)

Are penalties only imposed on the person who imports infringing goods?

(Sakura)

The Customs Law provides for dual liability. What this means, for example, is that if an employee of a company imports or tries to import counterfeit goods in the course of their employment, then their company, as importer, will be held responsible for the employee's actions and can be fined up to 10 million yen.

(Narrator)

There are about 20,000 cases of import seizures each year, amounting to over 600,000 items. For both cases and number of items, trademark violations are most common, and make up over 85% of

all seized IP rights infringing goods. The next most common are copyrights and design rights.

(Narrator)

Here are the numbers for import seizures, ranked by source country.

(Eddy)

You explained about sales of counterfeit goods over the Internet in Part One, but when counterfeits are found on the Internet does the provider also have liability?

(Sakura)

Yes, amendments to the laws have defined provider liabilities.

(Narrator)

When counterfeits are spotted being sold by Internet auction, the most important thing is to take action to get the vendor to stop. The problem is that individual claims against vendors are not very effective. That's why the law has been amended to hold the auction site operator or provider responsible for allowing counterfeits to be auctioned. The idea behind this is to encourage the legal operation of networks. In Japan, the Provider Liability Limitation Law takes both sides into account in order to prevent providers and others from suffering excessive liability.

(Narrator)

The Provider Liability Limitation Law specifies the limits of liability for damages of providers and others, and the right to request disclosure of identification information for vendors.

(Narrator)

For example, when a vendor displays counterfeit goods on a provider's site with intent to sell, if the provider knows that the goods infringe on another person's right, then damages will apply. If there is an obvious infringement and the right holder needs information about the vendor in order to claim damages, then the provider must disclose the necessary information. Because of this law, the provider is now urged to deal with this matter voluntarily.

(Eddy)

The law urges the provider to act voluntarily, but doesn't this place a heavier liability on the provider?

(Sakura)

That's not always the case. The law states that if the provider has no way of knowing or recognizing that the goods displayed on their sight are infringing, then there is no liability.

(Sakura)

Furthermore, since the law recognizes the provider's right to delete information on infringing goods from their site and clearly stipulates that the provider is allowed to disclose information on the vendor, the provider no longer needs to worry about being caught between the vendor and right holder.

(Eddy)

Does the provider have any liability toward the IP right holder?

(Sakura)

There have been cases in the past concerning the liability of an operator of a web site that sold counterfeit goods.

(Narrator)

One past decision originally ruled that the operator of a mall was not the infringing entity, but a later decision ruled that even the operator of a shopping mall that offered goods for a vendor infringing a trademark right could in some cases also be held to be infringing the trademark right. In other words, there has also been a decision that if a vendor is deemed to be infringing a trademark right, the web site operator is also liable unless they delete the infringing materials from that web site within a reasonable time.

(Narrator)

At present in Japan two organizations, the Council for Intellectual Property Protection on the Internet and the Provider Liability Limitation Act Guidelines Review Council, form the basis for effective ongoing cooperation between right holders and providers to prevent the distribution of IPR infringing goods over the Internet.

(Narrator)

In practice, it is proving effective when right holders supply providers with information and materials about infringing products and request that providers stop offering the infringing content, and providers accept this request in good faith and delete the pages related to the infringing products.

(Sakura)

When the market is flooded with counterfeit goods it causes significant damage for both businesses and consumers, and also affects economic growth. Let's look at the measures the Japanese government is taking to counter this influx of counterfeits.

(Narrator)

The Cabinet Office has set up the Intellectual Property Strategy Headquarters. This implements various measures based on the Strategic Program for the Creation, Protection and Exploitation of Intellectual Property.

(Narrator)

The Ministry of Economy, Trade and Industry has established the Office of Intellectual Property Protection and also provides financial assistance to small and medium enterprises for rights registration and counterfeit-related investigations.

(Narrator)

Other basic approaches to preventing the distribution of counterfeit goods and persuading consumers not to buy them include campaigns to eradicate counterfeit and pirated products. International initiatives include bilateral symposiums with countries of origin of the counterfeit goods entering Japan, exchanging memorandums, and holding seminars.

(Sakura)

It's not only the Ministry of Economy, Trade and Industry that takes action to protect IP rights. Many ministries and agencies have their own initiatives.

(Eddy)

What kind of things are they doing?

(Narrator)

The Ministry of Agriculture, Forestry and Fisheries has a system to monitor trademark applications as a measure to prevent counterfeits abroad masquerading as Japanese origin food products or agricultural, forestry or fishery products. The Ministry of Internal Affairs and Communications and the Agency for Cultural Affairs deal with Internet copyright violations, and the Consumer Affairs Agency has also set up a consulting service to control the spread of rights damage. The Ministry of Foreign Affairs supports Japanese enterprises expanding abroad by providing consultations and conveying requests to other countries.

End of Chapter 2

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

Chapter 4. Conclusion

(Sakura)

I hope you found our explanation informative. We've seen how counterfeit goods are manufactured and distributed, the anti-counterfeiting system initiatives conducted by government agencies in Japan, and how Japanese corporations are responding to the situation.

(Sakura)

A special characteristic of the Japanese approach is that companies do not only combat counterfeiting on their own, they also use cross-industry collaboration to proactively attempt to eliminate counterfeit goods from the market. Since their most important objective is to prevent damage from counterfeit goods, many companies do develop proactive measures. Many companies are developing pro-active anti-counterfeiting measures because they're aware that the best way to avoid damage is to prevent it. In order to respond to corporate efforts and promote fair economic activities, the government is introducing various laws and regulations and support measures to stem the flood of infringing products.

(Eddy)

Businesses need a constantly evolving system to provide timely measures to deal with counterfeiting.

(Sakura)

That's exactly right. If you just stick with measures developed before the Internet became so widespread, you cannot hope to adequately combat counterfeiting.

(Sakura)

It is important to keep the spotlight on actual counterfeit transactions in order to keep companies, governments and consumers aware of the harmful effects of selling and purchasing counterfeits, so that we can proactively fight this problem.

(Sakura)

And as normal exports expand, it becomes more important to institute a system to intercept counterfeits.

(Eddy)

Counterfeiting is a significant intellectual property issue that can only be solved through global efforts.

(Sakura)

In order to eradicate counterfeits, everyone around the world must think seriously about measures to this effect—and then take action. Everyone, please start with what you yourself can do personally!

(Sakura) and (Eddy)

Thank you for watching.

End of Chapter 4