



**Real  
concern  
*about  
fakes***

BY ALAN M. FIELD

**R**emember when counterfeiting was all about a few shaggy street peddlers pushing fake Rolexes? These days, counterfeiters have a much broader range of options for assembling, selling and distributing products that are entirely or partially fake, or that subtly violate the intellectual-property rights of innovative manufacturers. Often, they use the Internet, distributing counterfeit business-to-business products to unwitting buyers. Opportunities for quick profits have attracted organized crime, terrorists and old-fashioned con artists, depriving legitimate producers of profits and eroding their competitiveness.

The Bush administration has made intellectual-property protection a priority at home, and included it as a cornerstone in recent bilateral free-trade agreements. Yet many U.S. companies believe much more needs to be done, and they're pushing for new legislation that would make it easier to strengthen policy. Caroline Joiner, vice president of the U.S. Chamber of Commerce's Global Intellectual Property Center, said that despite progress, intellectual property "is not the top priority that it needs to be" at such agencies as Customs and Border Protection, the U.S. Trade Representative and the FBI. "It is not at the top of the list of top 20 priorities."

The U.S. Chamber is urging its corporate members to support legislative proposals that would give intellectual-property protection more clout in the next administration, and to make it easier to coordinate efforts of various enforcement agencies. Currently, each of the agencies pursues its own plans and policy directions. "There is no clear leadership and no incentive to have a coordinated strategy," Joiner said. The Chamber hopes to create a high-level intellectual-property czar with authority to monitor progress across various agencies, and make recommendations to the Cabinet.

Currently, the National

# Support grows for stronger law enforcement against counterfeit imports

Intellectual Property Law Enforcement Coordination Council, which coordinates such efforts, operates only at the deputy-secretary level, Joiner said. The same people who deal with intellectual property cases also do plenty of other things; for example, Customs “facilitates trade and also looks for dirty bombs. Obviously, we don’t want to take resources from national security,” Joiner said, but she said some staffers need to focus full-time on intellectual property.

The pillars of such an approach are spelled out in H.R. 4279, which the House approved in May by a 410-11 vote. Sponsored by Rep. John Conyers, D-Mich., the bill would strengthen criminal penalties and establish a presidential Office of the United States Intellectual Property Enforcement Representative responsible for formulating a joint plan to combat counterfeiting and intellectual-property piracy and to coordinate national and international enforcement efforts.

Joiner said, however, that the administration is “not fully on board” with the bill, because the various agencies want to maintain their authority.

The Conyers bill’s Senate counterpart, S. 2317, introduced last November, would create an operational unit of the FBI to assist in the investigation and coordination of intellectual-property crimes. Joiner said Sen. Pat Leahy, D-Vt., chairman of the Senate Judiciary Committee, has promised to push “aggressively” for the bill, which would establish a program to train FBI agents to investigate intellectual-property crimes, assign federal prosecutors to Justice Department offices in Hong Kong and Budapest to coordinate international enforcement, and create

a unit to investigate and prosecute international crime syndicates involved in theft of intellectual property.

Such efforts should help, but they may not go far enough to prevent the erosion of U.S. competitiveness that results from intellectual-property infringement. Beyond tougher enforcement, the U.S. needs a “real and integrated innovation policy that includes an IP policy,” said Michael Gollin, a partner at the Venable LLP law firm in Washington. Such an approach, Gollin added, would bring together everyone involved in the global supply chain, from researchers to law enforcement officers and prosecutors — a strategy already used in Canada and China.

At the moment, no single organization exists to say what is good for the U.S. when it comes to protecting its industrial know-how and competitiveness. Industry groups represent their sectors, such as electronics, entertainment and pharmaceuticals, but their interests frequently clash, making it impossible to create a coherent national policy, Gollin said.

Even without such policy changes, many importers could reduce their risks by making better use of the resources currently available from government, said Frederic Van Arnam, a partner at Barnes, Richardson & Colburn, an international law firm. Many companies go to the U.S. Patent and Trademark Office to register their products but don’t take the next step of registering their trademarks at Customs. If an import that uses their trademark arrives at Customs, and the importer is not actually the trademark holder, Customs is supposed to ask the importer for a letter proving that the shipment is authorized by the trademark holder. Trademark holders can

also go to their ports and explain to Customs how agents can tell their real products from fakes, by identifying subtle differences.

Van Arnam also advises clients to register their trademarks in all countries where they do business, where they or their suppliers manufacture, and “every country where you conceivably can do business.” That’s because laws are territorial, and filing at the U.S. patent office will have little or no impact on your patent protection in other countries.

Ram Manti, president of the Alliance for Gray Market and Counterfeit Abatement, recommends that companies supply Customs with an adequate sampling of their product so that the agency can identify whether incoming shipments are legitimate. Members of Manti’s group, a nonprofit organization of companies affected by counterfeiting, regularly share best practices and best processes about how to minimize their risks.

Global companies face a growing challenge of managing relationships with contract manufacturers and other suppliers in remote locations around the world. Companies need to ensure that they have approved all resellers of their products. “You have to take control of the channel,” he said. The fewer the restrictions on your suppliers, the more the opportunity for them to counterfeit, and for your resellers to divert inferior knock-offs of your products. “It’s easy money, and these are evil deeds,” Manti said. ♦

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