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IP Law

Retail frauds multiplying at rapid clip

Premium content from Boston Business Journal by Mike Hoban, Special to the Journal

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Online shopping may be a boon for retailers and a convenience for consumers, but the technology has opened the floodgates for the sale of counterfeit merchandise, forcing companies and their IP lawyers to devise new strategies to stem the tide of illicit goods.

[John Banse](#), general counsel for The Life good Co., the eponymous owner of the Life is good trademarks featured on apparel and accessories, told the BBJ that the company must monitor the internet regularly to curtail potential imposters.

"We see things online, on eBay for instance, and ask ourselves, 'Where is somebody getting that kind of quantity of Life Is Good products?' So it could either be a counterfeit or it could be a diverted product (grey market) issue."

Counterfeit sales comprise between 5 to 7 percent of total world trade, according to the World Customs Organization, while counterfeiting costs companies, consumers and governments (lost tax revenue) billions annually.

An increasingly common outlet for modern-day counterfeiters is a private website or resale sites supported by the likes of eBay or Amazon.com.

In late 2010, the federal court in Manhattan ruled against vendors using a network of websites to sell counterfeit goods. Retailers such as Polo Ralph Lauren and The North Face were awarded \$78 million in damages in the case, with The North Face having identified over 9,000 websites selling counterfeit versions of its products before finally bringing suit against Fujian Sharing Import & Export Ltd, et al.

To be sure, the counterfeit distribution model has changed drastically from a time when those wishing to buy a "knockoff" of a handbag, sports jersey or watch could just go to a local flea market or city street corner to procure items.

"Technology helps and hurts," said [Edward Naughton](#), partner at [Brown Rudnick](#). "With counterfeiters on the Internet, companies can monitor activity, and it's easier than getting feet on the ground out to every flea market in America trying to catch them."

He stresses a three-pronged approach to defending against counterfeit operations: Register.

Monitor. Enforcement.

"It's critical for brand owners to register their trademarks not only in the United States, but in other jurisdictions where they're likely to sell or manufacture a meaningful amount of product," advised [Andrew Ferren](#), director and retail IP specialist at Goulston & Storrs. He said monitoring for trademark violations online can be accomplished either in-house or through an online monitoring service. Naughton said online auction sites such as eBay also are assisting the fight, ensuring online systems are in place "to take down counterfeit items from online auctions."

Nonetheless, enforcement remains a challenge for most IP owners, with distributors of counterfeit items scattered throughout the globe; experts estimate that nearly 90 percent of illicit retail goods originate in China.

Some are opting to carry a big stick. [Joel Leeman](#), a partner at IP law firm Sunstein Kann Murphy & Timbers LLP, believes that establishing a "tough guy on the block" attitude is a must. "It's important to aggressively fight back, and if you get a reputation as a brand owner that tracks down cyber squatters or counterfeiters, typically the counterfeiter will just move on to a company that's in a similar industry that's less aggressive."