

# ANTI-COUNTERFEITING

**middletons**  
lawyers



**LEGAL UPDATE**

**AUGUST 2005**

## Current intellectual property issues for the sporting goods industry

*When you have a successful brand, product, image or look you can bet that in today's cut throat world someone will try to copy it or counterfeit it. Years of hard work in product design and development and expensive advertising can go down the drain quickly if the product (or a copy of it) is sold by a competitor.*

### Key message

*Counterfeit goods now make up an estimated 8% of world trade, and sporting goods are among the prime products under threat. **There are a number of measures brand owners can take to protect their income and reputation.***

With the higher quality copy and counterfeit products coming out of Asia as well as the greater ease of manufacture and procurement, competitors can easily undercut your prices. With recent estimates that counterfeit goods make up as much as 8% of world trade, the threat is greater today than it has ever been.

There are, however, a number of measures that brand owners and distributors can take to protect their genuine goods against counterfeiting and copying. Middletons has worked with many brand owners including Diesel, Converse, Skechers, Dr Martens, Pioneer Electronics,

PENN, Deckers, Camper, Diageo, American Crew and many others to develop programs and tactics to protect their brands and products against counterfeiting, parallel importing and copy products.

### Protecting Goods against Counterfeiters

#### Trade Mark Registrations – Words and Logos

Trade marks are effectively signs which act as a badge of origin. This can be a word, logo, or other device, for example, the word 'Callaway', the Adidas three-stripes, or the Nike 'swoosh'.

Trade marks can also be shapes such as the Dunlop Volley, Camper Pelotas or Diesel Wish footwear, the Toblerone chocolate block or the Coca-Cola bottle.

Colours can also be trade marks such as green for BP petrol stations, orange for Veuve Clicquot or lilac for Milka chocolate.

It is imperative that you maintain trade mark registrations for your brand names and important logos and possibly shapes,



colours, logos or aspects of packaging. Most commonly, trade marks are owned by the brand owners themselves, however there are also situations where it is appropriate (with the brand owner's consent) for the local distributor to be the owner.

Trade Marks apply in the territory in which they are registered, therefore Australian trade marks are protected in Australia only. Trade Marks are also registered in relation to specific goods and/or services, for example, the appropriate class for sporting goods is class 28, for footwear and apparel is class 25, and for retail and wholesale services, is class 35.

Once you have a registered trade mark, the mark is registered for 10 year periods which can be renewed indefinitely, therefore providing important long term protection. A registered trade mark allows you to take action against any other traders who use a mark which is substantially identical and/or deceptively similar to your registered mark, if used in relation to the same or closely related goods and/or services to that of your registered trade mark.

If you identify anyone using a mark which is very similar to that of your mark, you can bring civil proceedings against that trader for trade mark infringement, and seek damages or an account of profits. There are also criminal provisions in the Trade Marks Act which make it a criminal offence to falsely apply trade marks to goods, or to import or sell such goods.

### **Registering your Trade Marks with the Australian Customs Service**

The volume of counterfeit goods (i.e. goods which have trade marks affixed to them but which are not genuine products) being imported into Australia is substantially on the increase. Therefore to ensure that you stop the majority of these goods entering the country, you need to work in concert with the Australian Customs Service to stop the fakes at the port of entry.

Trade marks can be registered with Customs, so that Customs staff will look out for goods which have these marks affixed. You will be notified whenever they have identified imported goods with trade marks affixed that do not appear to be genuine goods and are not being imported by the known distributor.

This is a very important program for a number of reasons, including:

#### **» Customs – Published List**

Trade marks which have been registered with Customs appear in a list published on the Customs website. Importers regularly check this list to ensure that the counterfeit goods that they are importing are not goods where the trade mark owner has lodged its mark with Customs. Having trade marks lodged with this resource therefore provides a significant and valuable deterrent.

» **Border Control**

Customs will work with you to seize and destroy fake goods. Identifying rogue importers will then allow you and/or the police to take action against them.

In order to register your trade marks with Customs, the process is straightforward:

- » Complete a Customs form listing all the trade marks of which you are the owner or registered user; and
- » Complete a security form and lodge a bond of \$10,000. This payment is for the purpose of covering Customs costs of seizure, storage and destruction of counterfeit goods.

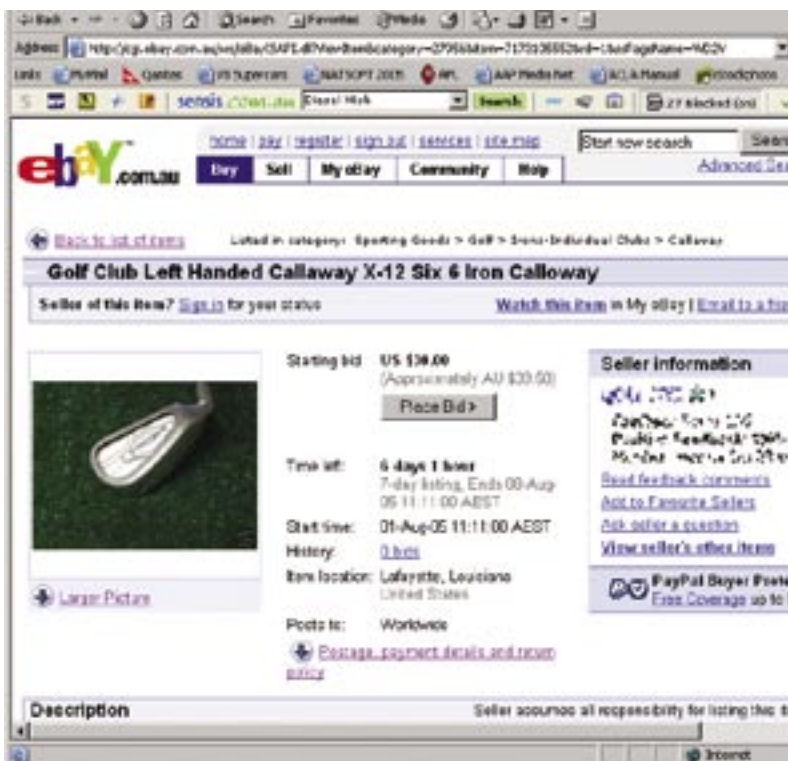
- » Middletons also recommends running a training programs with Customs. This would involve the appropriate member of your staff attending training sessions at Customs to educate Customs officers on how to identify counterfeit goods from genuine goods for your particular brand. These sessions take approximately half an hour to an hour, and are invaluable in ensuring that Customs staff are able to identify counterfeit goods and are enthusiastic about this task.

Once your trade marks are registered with Customs, you will be notified whenever a shipment has been identified as containing counterfeit (or suspected counterfeit) goods. When this occurs, the importer is sent a Notice of Forfeiture to forfeit the seized goods. At the same time the brand owner's nominated representative is also sent a copy of the Notice of Forfeiture. We then send a letter of demand to the importer. If the goods are not forfeited within 10 days, a Court action is commenced to prevent the goods being released to the importer. These Court proceedings are fairly straightforward, easy to prepare, and cost effective.

The aim of these actions is to ensure that the importer forfeits the goods, provides undertakings not to import the goods again, and pays the trade mark owner/brand distributor an amount to cover legal costs and damages.

## Parallel Importing

This is another area of major concern at present for local distributors of major brands who are paying to promote the brand in



the market and providing after sales service of the products. While the distributor has invested substantial resources into acquiring the distribution licence, promoting the brand, and building up the brand's reputation in Australia, competitors can simply parallel import the genuine product, and sell it for a much cheaper price without any concern for after sales warranty issues. This has a huge impact on the legitimate local distributor, not only due to price cutting, but the reputation of the brand is no longer within the distributor's control and the products may be sold at non-preferred outlets which ultimately affects the perception of the brand in the marketplace.

While parallel importing is legal, there are a number of steps that brand owners and their distributors can take to protect against parallel importation. In particular, if the trade marks are registered by the distributor rather than the brand owner (with strict requirements in place to ensure that such ownership is assigned back to the brand owner at the brand owner's discretion), the distributor is able to then pursue parallel importers for trade mark infringement. Arrangements between the distributors and brand owners need to be carefully documented to maintain the commerciality of the arrangement for both parties.

### Protecting the Appearance of Goods – Designs

To protect the appearance of products, design registration is also available. Design registrations must be applied for before the products become publicly available, and will provide the owner with protection in

any novel and distinctive appearance of a particular product.

We can advise on ways for your staff to register designs on your new products to protect against copies and imitations.

### Internet and eBay Sales

With consumers becoming more tech savvy, and with the anonymity offered by sales on the internet, brand owners and distributors need to also have a strategy in place to deal with internet sales of counterfeit product.

The internet sale of counterfeit products will constitute a trade mark infringement.

Websites such as eBay have programs in place to offer a level of support for brand owners where sales of fake goods have been identified. eBay runs the VeRO (Verified Rights Owner) Program, pursuant to which it will promptly end an auction of goods where it has been notified that such goods are not genuine. It will also assist in providing information about the identity of eBay users. Brand owners/distributors need to register with the VeRO program to receive such benefits.

Even if the products are genuine, if they are being advertised by reference to the trade marks without authority, this will also be a trade mark infringement.

**Lisa Egan** | Senior Associate



## Further Info

**Tony Watson**  
Partner  
T: +61 3 9640 4331  
F: +61 3 9205 2055  
[tony.watson@middletons.com.au](mailto:tony.watson@middletons.com.au)