

U.S. Manufacturers Frustrated By Cheap Knockoffs Of Their Products May Try Thinking Outside The Box

Pursuing foreign companies infringing U.S. trademarks may be like playing Whack-a-Mole.

By Bruce Patterson | June 23, 2023



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According to the U.S. Chamber of Commerce, counterfeit products cost the global economy over \$500 billion a year. Some other estimates declare the damage is in the trillions. This is a major economic problem and a danger to U.S. rights holders, legitimate businesses and workers in the areas of innovation and creativity.

U.S. Customs in Chicago, in January 2022 alone, reported 29 seizures of shipments of counterfeit items worth \$2.88 million. The goods included shoes, wallets, designer apparel, handbags, and jewelry with shipments arriving from China, Hong Kong, the Netherlands, Russia, the Philippines, Thailand, Mexico and Israel.

Obviously we've come a long way since the days when knockoffs of luxury items were sold primarily along the sidewalks of major cities. And these days it isn't only luxury goods that are being copied. Mid-range products like cosmetics, home care supplies, electronics, pharmaceuticals, bicycle and motorcycle helmets, medical devices, supplements and many more items are also being counterfeited, sometimes posing serious health and safety concerns to unwitting purchasers.

Some of the steps that any business with trademarks to protect should take are obvious:

1. Register all trademarks, especially those used on or with products.
2. Extend trademark registrations internationally if the firm has international business. Hire local agents in the country where the fakes are made to help reinforce efforts to shut down production of infringing goods.
3. Take a tough-guy approach and signal to the world that the company recognizes the value of its marks and will not tolerate infringement or dilution.
4. Monitor the internet regularly, especially e-commerce sites, for unauthorized use of the company's trademarks, and put in place an efficient and effective way to remove the offerings. We helped set up an arrangement for one of our clients with a third-party firm that monitors the internet for unauthorized use and pulls down offers for products from e-commerce sites such as eBay, Amazon and Alibaba. Our law firm gets directly involved if a site actually incorporates our client's name in its domain name.
5. Record trademark registrations with U.S. Customs to block infringing products from arriving in the United States.
6. Take legal action against repeat infringers with the goal of securing a permanent injunction preventing future infringing behavior.

Many manufacturers, however, will quickly find that even employing all of these tools at once may not be enough to stop the flow of fakes. Pursuing foreign companies infringing U.S. trademarks, for instance, may be like playing Whack-a-Mole. As soon as one company's infringing offers disappear, another one takes its place. Or maybe, like Hercules trying to behead the hydra, every time one head is cut off, two more appear.

So what can be done to enhance enforcement against products infringing trademarks? A few companies have tried not selling their products on Amazon as a protest against counterfeits also sold there. But these products are often still available on Amazon through third-party sellers.

Some manufacturers have started using hidden QR codes on labels, or putting Near-Field Communication (NFC) chips on electronic products. (The NFC chip allows one electronic product to communicate with another.) Some firms have developed proprietary tracking software. Another approach is to use invisible pigments or inks to distinguish the real product from a fake.

Publicity can explain to consumers how they can identify the unique attributes and features of a product and contrast them to cheaply produced imitations. Media stories can also focus on the workmanship and durability of the real thing. A shoddy imitation is likely to fall apart quickly, which means that any amount of money spent on it was wasted.

Our client Taylor Guitars is a venerable guitar brand, founded in 1974 and currently headquartered in El Cajon, California. All of the recognizable features of the Taylor guitar are protected in the United States and abroad. Protection extends past trade names, including trade dress features like the shape of the guitar headstock, bridge and pickguard—shapes that can be just as recognizable to a consumer as the name “Taylor.”

The quality of the instruments imitating features of Taylor guitars is generally so poor that purchasers know they are not buying a genuine Taylor guitar. But exposing the public to cheap guitars that utilize Taylor's protected product shapes can dilute the value of the entire brand.

One specialized approach to combating infringing products that we developed with our client is tailored (no pun intended) to the music instrument industry. Taylor Guitars are always represented at the annual National Association of Music Merchants (NAMM) convention, the major event where musical instruments are displayed and sold, which takes place every year at the Anaheim Convention Center. We discovered that cheap Chinese guitars imitating familiar features of Taylor guitars were also being displayed at this convention.

Over time we developed a multi-stage approach to ridding the NAMM Convention of these products: first, present a cease-and-desist letter. A second cease-and-desist letter may be offered in both English and Chinese. As a last resort, we may file a lawsuit against a repeat bad actor prior to the NAMM conference and serve papers on the floor of the show.

This past April, we found the kiosk with the infringing guitars in a block of about 20 companies, all based in China and tightly grouped together at the convention, with the same type of sign displayed at each booth. Undoubtedly, serving papers from a federal court at one of these kiosks resulted in a chilling effect on the others.

Perhaps other attorneys representing other manufacturers are engaged in similar face-to-face action to stop the sale of products infringing U.S. trademarks on American soil.

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