

Nota Bene Episode 129

Practical Tips for Protecting Your Brand Against Counterfeiters with Lisa Martens

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They say imitation is the sincerest form of flattery. Nowhere is this imitation more unwelcomed than when it comes to a company's intellectual property. Intellectual property laws and the protection they offer ensure that a business can fully protect its brand and reap the benefits of its inventions. Intellectual property rights also provide a course of action for business owners should they face counterfeiters. In this episode, we're exploring the types of intellectual property protections available to businesses and sharing practical ways to protect against infringements.

Guest:

Joining me for this conversation is intellectual property attorney Lisa Martens. Lisa is a partner in the Intellectual Property Practice Group in Sheppard Mullin's San Diego (Del Mar) office. Lisa's practice focuses on the protection and enforcement of brands for clients ranging from startups and emerging companies to Fortune 500 corporations. She has particular expertise in the food and beverage, healthcare, life sciences, e-commerce, semiconductor, sporting goods and retail clothing industries.

Transcript:

Michael Cohen:

Welcome to Sheppard Mullin's Nota Bene, a weekly podcast for the C-suite, where we tackle the current national and international legal headlines affecting multinationals doing business without borders. I'm your host, Michael PA Cohen. Let's get started.

Michael Cohen:

Welcome to episode 129 of the Nota Bene Podcast and thank you so much to all of our listeners in more than 100 nations around the world. We so appreciate your continued participation in our ongoing conversations and your feedback. Please keep it coming. It does continue to help influence our program most directly.

Michael Cohen:

My guest today is Lisa Martens. Lisa obtained her undergraduate degree from Cornell College, where she graduated magna cum laude. She received her Juris Doctorate degree from DePaul University College of Law, where she obtained the Order of the Coif. That's a very highly regarded and coveted academic honor.

Michael Cohen:

She is in the business of helping companies protect their brands and has been named many, many positive things over her career, including an IP star by managing intellectual property and has a long list of accolades and top rankings in her field. We will link Lisa's bio to our show notes for this program and anybody who wants to explore that long list is just a click away in

your podcatcher. Lisa practices from her home base in Southern California in the San Diego Metropolis, I'll call it. Lisa, welcome to the podcast.

Lisa Martens:

Thanks so much, Michael. My pleasure to be here and to be with you and to be with your audience.

Michael Cohen:

It's so great to have you. Who would have thought that six years ago when you and I were having dinner on some roof where airplanes were landing next to us in the San Diego Airport, but a very cool restaurant I might add, but who would have thought when we were sitting on that roof that we'd be doing a show together all these years later. I think that's really cool.

Lisa Martens:

I know, I know, it's so wonderful. So wonderful to be here.

Michael Cohen:

I feel like I started at this particular organization with you. I consider you somehow in my class, and I don't know what that means or why that's even in my head. It's not even a thing but...

Lisa Martens:

No, no, it's very true. It's very true. I have only been with Sheppard Mullin since 2015, so that six-year mark is, your tenure and mine are very in sync.

Michael Cohen:

Yeah, we're right in there. Lisa, I'd like to talk to you today about some amazing things that you've been doing with companies around the world and helping them protect their brands, which I mentioned to our listeners is your business. But before we get there, I thought you might share with our listeners a little bit about your path to your expertise and your position on the planet there in San Diego, California. If I'm not mistaken, Cornell is in Upstate New York, so somehow you went from that Ivy league to Southern California. I'd love to hear a little bit about that too.

Lisa Martens:

Right. Well, I have to confess my roots are really Midwestern. I was from Chicago and I went to Cornell College in Iowa, so yeah, a little trademark issue there that we can start off with about the confusion between the two Cornells. But I originated from the Midwest and straight out of law school, started working with the large firm in Chicago, Sonnenschein Nath & Rosenthal.

Lisa Martens:

When I was working with them, who are not even that same name today, here almost 27 years later. Now they're SNR, well they were SNR Dentons and I think they moved to just Dentons. But long story short is I started practicing trademark and copyright law right out of law school. Doing everything from the counseling and transactional work, licensing of trademarks, to all the way through to litigation enforcement and litigation.

Lisa Martens:

My whole career has really been the full spectrum from helping companies protect their trademarks and protect their copyrights on the front end, but then also enforce them against others when they're being in fringe. Over those years, I've had numerous counterfeiting cases in particular and so I thought maybe we could talk about some of those today. I had one is recently a year ago that involved protein drinks and our client was a meal replacement drink. And there was a knockoff in China of a protein powder.

Lisa Martens:

We don't have to get into all the details right at the outset, but there are so many cases where the actual counterfeiting activity really can harm consumers. It's not just a monetary issue or a brand issue. Companies often think, I want to protect my brand. I want to protect my company's reputation, and all of that's extremely important and that's what I spend my days and nights doing.

Lisa Martens:

But at the same time, there is really this whole level of consumer health and safety when you're dealing with counterfeit pharmaceuticals or counterfeit nutritional products, food, airplane parts, auto parts. When it comes to the different industries that counterfeiting impacts, there are none that it doesn't impact and it's really just a degree of how dangerous that counterfeit product might be, versus is it just a monetary harm?

Michael Cohen:

That takes one of my questions off the table, frankly, but you've given me some more, so let me load into where you've already jump started us in your usual fashion, accelerating us down the road a little bit, which is good. My apologies for the Cornell confusion. I should know the difference between Cornell College and Cornell University. I'm a big fan of colleges.

Michael Cohen:

Both my boys went to colleges, one's Williams College and the other at Oberlin College. I teach at Washington and Lee University, which is a college plus the law school and I should have marked that in my head. But now that explains all of DePaul, right?

Lisa Martens:

Right, exactly. The whole Midwestern thing. But I will say, tying it to today and our lovely dinner in San Diego, I have to say, after living in the Midwest for, gosh, 25 years of my, I was so happy to come out to California in 1997 and have been in San Diego since 2000. I'm very much enjoying the west coast lifestyle and being at the beach and not shoveling snow and not dealing with those harsh, harsh winters.

Michael Cohen:

21 years now. Have you been San Diego that whole time?

Lisa Martens:

Yeah, same house, same place. Once we got here, we found nothing better.

Michael Cohen:

So many Californians seem to be leaving, but what people fail to account for in that whole reporting is that the state's population is continuing to grow, despite whatever exodus it may be occurring.

Lisa Martens:

Right, The taxes are harsh and there's a lot of reasons people flee California in general, but you can't beat the weather and the lifestyle. That's for sure.

Michael Cohen:

I know. It's a very special place. I was born and raised in on the Monterey Peninsula and I've always, really felt that at least coastal California is really very, very different than the rest of America. Actually, the state as a whole is. Having found myself now on the east coast and having been here for quite some time, it still amazes me that people say, "Well, the country was founded in 1607 in Jamestown in Virginia." I'm like, "The freaking Spanish were building missions 100 years before that."

Michael Cohen:

It's such a different world, that's what I mean. It's like there's just not even an understanding or an appreciation for the state and its history or its importance and its value to the nation today, particularly when it comes to food and agriculture and industry. It's not even clear what America would look like without California in those respects, so don't get me started. I can see why you landed there and understand why you stayed.

Michael Cohen:

Before we get started, just by way of a little staging, you have been speaking with some folks and certainly with some companies about practice tips for combating counterfeiters and an action plan for brands and others, manufacturers, retailers and combating, counterfeiting. I also understand that recently, you and a colleague have published an important article in the World Trademark Review on the topic, which we'll link to the show notes so that folks can click right to that article.

Michael Cohen:

I'd love to talk about all of those things, but before we get there, I think that it's important to just set the floor for our international audience. What are we talking about when we're talking about copyrights and trademarks? What are the kinds of things that are copyrighted and trademarked? We shouldn't jump over that illegal hurdle without setting them somewhere on the track, so to speak. Can you talk a little bit about that in basic terms?

Lisa Martens:

Right, absolutely. I'll tie it to the products as much as possible. Typically, when you're talking about trademarks, you're talking about your brand name. Sometimes it may be your company name, sometimes it may be your product name, but to just use some simple examples, Nike, Cartier, Amazon, you name the famous brand, the famous name that you know of, that you've heard of, Starbucks, those are the types of wordmarks that we protect.

Lisa Martens:

Then often every company will have a logo that goes with that, or maybe they have a tagline that goes with that. You've got the Nike Swoosh or the Just Do It tagline, those sorts of things. Trademark protects all of those things and when it comes to counterfeiting, all of those things can typically be ripped off in one way or another.

Lisa Martens:

Once you've spent the money and then taken the time to create these brand names, to create these slogans, to create your logo, and then you do the right things, you've protected it, you've registered it often worldwide in many countries, because trademarks can be registered around the world, country by country, then if someone knocks it off and takes, and I'll just, I guess, continue with the easy Nike example, takes a tennis shoe and copies what may also not just be the trademark, the Swoosh, or the name Nike, or the slogan if it's written in tiny letters somewhere on the shoe.

Lisa Martens:

But maybe they also take, and I'll take it to the next level, the copy of the design of the shoe. That then implicates another type of intellectual property called trade dress. Sometimes think of the distinctive shape of a bottle, or the Coke bottle is a classic example where you can sometimes protect a product shape.

Lisa Martens:

A lot of what I do with working with companies, especially new startup companies, but really at any stage, is you're looking at everything they've developed and everything they've created and saying, "Okay, what can we protect by trademark? What might be protectable by trade dress?" Then you work your way to copyright, what might be protected by copyright. Often for software companies in the tech space, maybe it's copyright code for software that they've created and developed.

Lisa Martens:

For one client, in the jewelry design case, where the jewelry was counterfeited and we litigated it and ultimately obtained a \$44 million judgment against the counterfeiter, we actually used all aspects of the jewelry. We used the trademark itself, the word mark, the logo itself and the jewelry design was protected by copyright. We were able to bring in copyright, we were able to bring in trade dress to combat the counterfeiters.

Lisa Martens:

I start with that as the premise of what's the very first thing that companies can do to combat counterfeiters, and the first is to protect what you've created in every possible way via intellectual property, including patents too. I don't claim to be a patent specialist, so I won't go too deep on the patent side, but we've used patents and copyrights and trade dress and trademark, all of the angles to stop counterfeiters.

Lisa Martens:

The more that you create protection around your product, whatever that product may be, and of course as your company grows bigger and you get to be more famous and well-known, that's how you know you've made it. Because imitation is the finest form of flattery, so the minute you start being ripped off by a counterfeiter, then that's how you know, okay, it's good that I've taken

this protection as far as I have. Now I need to enforce it. Now I need to stop these counterfeiters because I don't want this cheap shoddy knockoff product ruining my hard-earned reputation or taking away sales from my sales.

Lisa Martens:

Because if they're buying the counterfeit thinking it's the real thing and then something goes wrong with it, not only are they potentially coming back to you, the consumers think it's yours and maybe they're complaining to your customer service line and you get into that issue. But if there's harm to your good will, if there's actual harm to the consumer, as I was talking about some of these dangerous products where the consumer could be harmed, you don't want to be liable for that and at the same time, you want to salvage your reputation and keep your consumers happy, so it's okay. How do we stop that? How do we get rid of that?

Lisa Martens:

That is usually when I get the first phone call that someone has found some competing or counterfeit product out there, and often the ways of finding it can often be through the customer complaints, maybe through a retailer who was duped and didn't even realize they were selling a counterfeit product until it was returned, and then often clients will find it online themselves. Thank God for the internet. It allows you to have that global reach just by doing some searching, and often you can do a lot of the enforcement yourself just by searching the internet and uncovering these counterfeit online sales channels

Michael Cohen:

Great overview, and just a couple of more basic tasks before we jump into pursuing the counterfeiters. Are these things automatic? How do you get a trademark? How do you get a copyright? Are they subject to protection at your own will or is there any review? How does that work? Patents, for example, go through review at the patent office and a lot of people don't get patents because of prior art or other types of things, preexisting technologies. But for trademarks and copyrights, what's the process there and are there any hurdles to securing trademark or copyright?

Lisa Martens:

Well, it's interesting because it differs country by country, so I'll start as an example on the trademark side. In the U.S. and in the UK and other UK common law or Commonwealth countries, if you will, like Canada, like Australia, like New Zealand, for example, you can obtain trademark rights just through your common law use. By merely using a trademark on a product or in connection with a service and advertising it and promoting it and selling it, you're gaining some common law rights.

Lisa Martens:

But the hitches, those common law rights are really narrow and specific only in the areas where you're selling and only in those countries that even recognize common law rights. The next step is to file for your trademark registration, and even in the countries that recognize common law rights, they also have a filing system in the U.S., the U.S. patent and trademark office. But in Europe, you can file through the, I call it for short the CTMO, but the European Union, you can get one trademark registration that covers all member countries of Europe, for example.

Lisa Martens:

In contrast to those common UK Commonwealth countries, the rest of the world, 90% of the world only recognizes the trademark rights when they're actually filed and registered, so it's important, and the rules about who's first don't necessarily relate to your common law use like they do in the U.S., where if you're first to use, you have prior rights.

Lisa Martens:

But in all the other countries, it's really important to register your trademark because otherwise you obtain trademark rights just based on your use. If you're out there using, for example, and you haven't registered, and then an infringer seizure use, they could rush the trademark office in that country and file before you do, and then they have the rights.

Lisa Martens:

I see this all the time in particular with pirates in China, for example. You may start your business in another country that's outside of China and maybe you're registering your marks there in that country because that's where you're based, and you might not even have designs to sell your product into China initially. But there's many Chinese pirates that will be watching the registries around the world or they'll be watching advertising, they'll see these marks and they'll say, "I'm going to be the first to file because first to file is what gets me the rights."

Lisa Martens:

Then they'll rush in and they'll register your trademark before you do, and then it can be very, very expensive to try to rest that trademark away from that Chinese infringer. That extends to counterfeits as well. We run into that very same situation where then they might take it even further and produce a counterfeit product.

Lisa Martens:

I know you also asked about copyright, so I don't want to ignore copyrights. The copyright system is very similar and it takes it a step further where you really do need to... On the one hand, I guess I'll back up a bit, on the one hand in the U.S. for example, you have copyrights in your work. Let's say you write a song or you write a book, you have copyrights in that work the minute you write it and you fix it in that tangible medium of expression, as they call it. By putting it down on paper, it's yours, you've authored it and you have rights.

Lisa Martens:

But the reality is in order to enforce those rights against an infringer, you have to file for your copyright registration. You have to obtain that copyright registration and certainly, in order to sue in federal court, you have to have that registration upon which to sue. We often will counsel clients on both fronts, trademark and copyright, that even though you might be acquiring some unregistered rights, your best solution and your best first step to gain broader rights, especially nationwide rights as opposed to just common law rights in your particular geographic area where you sold for example, is to register the mark federally or country by country around the world and looking ahead, essentially.

Lisa Martens:

Planning ahead as to what markets are going to be important for you, where you wouldn't want someone to beat you to that office's filing and get that trademark or get that copyright before you have a chance to.

Michael Cohen:

That's just extraordinary to me, the example you used. A counterfeiter, for example, based in, let's just say they are based in China, and I'll pick China not to pick on China, but only to pick China because China has a very different way of viewing intellectual property than Western nations do. You can disagree with all of that till you're blue in the face, but there's no moral underpinning to any of this.

Michael Cohen:

These are all policies and laws and regulations that are designed for the particular nation and culture they're in, and China views a lot of things differently than the West. And think it's always important to remind the audience that the population of China is more than twice the population of Europe and America combined, so it's non-trivial to the extent that they might view something differently.

Michael Cohen:

But what you're telling me is that they can not only view something differently but they can manipulate the Western system. Meaning if China doesn't value the intellectual property rights associated with creation the same way that the West may, they can actually monitor whether or not the Western creator has copyrighted or protected that creation in other jurisdictions and beat them to the punch and literally own something that was created somewhere else if they're the first to file.

Lisa Martens:

Absolutely.

Michael Cohen:

If Nike didn't file in Canada before the Chinese counterfeiters saw their mark and filed in Canada, that Chinese pirates own the market in Canada?

Lisa Martens:

Right. That's exactly right. The reason I had focused on China was because my most recent counterfeiting case, this meal replacement beverage versus the protein powder originated from China. In that they were selling the protein powder in China and they had registered my client's mark in China, because my client had only registered in its countries of interest like the U.S., like Canada, Mexico, Europe. It had registrations around the world but had not yet registered in China.

Lisa Martens:

So the pirates do exactly that. It's an online system where most countries have their trademark records online that anyone can search, anyone can see what has and hasn't been filed, and pirates who are targeting you as your company grows can easily see where you have and haven't filed and they can go in there and file it and essentially hold it for ransom. They're waiting for you to realize that you don't have it, that they have at first, and then they want to essentially sell it back to you at an exorbitant price.

Lisa Martens:

That's often how these things will start is, we'll have an investigator find out who filed and try to acquire the rights anonymously as cheaply as possible. Then when the pirate demands hundreds of thousands of dollars from our client, that's when my client says, "Oh, no. We're

going to litigate this. We're going to take this back through legal means because we're not going to pay this pirate hundreds of thousands of dollars. This doesn't make any sense." Then that's when we have to get involved.

Lisa Martens:

To add a little even more color to it, this particular, I continue to refer to them as the Chinese pirates because that's where the infringement was occurring, was in China. But the reality is it was a U.S. trademark lawyer who was essentially orchestrating the infringement in China from the U.S. And it was only because it was an attorney who knew what they were doing and who had written articles about how dumb U.S. companies are that they would file their trademarks here and not file in China.

Lisa Martens:

We found all this evidence that this particular attorney had essentially made this a scheme to buy famous brands and attempt to sell the marks to the famous brands, but to register them in China. We ended up suing them here in the U.S. under the counterfeiting act because the harm was occurring here, because our client was based here, and because they were located here in the U.S. and orchestrating this Chinese infringement.

Lisa Martens:

I will say the good news is because it was a little bit of a reach, frankly to say, are we going to be able to hail this Chinese counterfeiter into U.S. court on that basis? And we survived two of their motions to dismiss. The court in Nevada, because that's where they were located, agreed with us that we could use the U.S. laws to stop this infringement, even though the infringement was occurring in China.

Lisa Martens:

That was a huge success. I can't necessarily claim that we made new law because we had seen one other company had done the same thing, so we were piggybacking on what they had done in a different court and hoping that Nevada Court would follow our lead, and they did, which was fantastic.

Michael Cohen:

But only because it was only effective because there was a U.S. player involved that the court could exercise jurisdiction over truly in the United States, not just fictionally. In other words, had that link not been there, the China pirates could have just never shown up in America and the court could do whatever it wants but so what?

Lisa Martens:

Exactly. And I will say we were obviously fighting this on two fronts because as we started talking about, you always start with the least expensive option you hope to be able to acquire it cheaply. When that doesn't work, we had started with a Chinese action of just filing a cancellation action against their trademark registration to try to cancel it in China and get it out of our way so we could come in with our legitimate rights and register in China.

Lisa Martens:

Because that's really all we wanted to do. They weren't selling into the U.S., so we weren't concerned about any sales here. From what our investigation found, the sales of the protein powder in China were very diminimous. It seemed like they were just mocking it up. It might not

even been legitimate sales, just to try to prove use to get their registration in China and to combat our cancellation action.

Lisa Martens:

We started with those lower end, lower cost, if you will, strategies for attacking this counterfeiter, but that's the downside, I guess, of the Chinese system, was that the courts were believing the evidence that they would put forth. If they mocked up a bag of protein powder and took a picture of it and submitted it, and with a declaration, a sworn declaration saying, "Yes, we're using, yes, we're selling this product." Even if they weren't selling it, the court would just believe the sworn statement. They would just believe the infringer.

Lisa Martens:

And so we had to do more to show the upper courts. Appeal it and show that this was fraudulent evidence and that they really weren't using how they had ripped us off to eventually get the appeals courts to overturn the lower court decision. But all of this is to say, no one wants to go through that in the U.S. or in China, and so the least expensive means is to try to register your trademark in all of your countries of interest, as well as in the high piracy countries.

Lisa Martens:

I'll lump in in addition to China, often we consider Russia or Vietnam or India, as other high piracy countries too, where we see this type of activity happening, this monitoring and then infringing. And so we'll counsel our clients if they don't have some of those countries on their initial list. We'll say you're better off just being proactive and registering in a couple of extra countries to avoid the heartache if someone infringes."

Michael Cohen:

At the very least that ransom could be something that people by design set at a rate that is slightly below or at the attorney's fees, it's going to cost you around the world to get the cancellation and do all these things over a very substantial amount of time. Probably with some kicker for the fact that you free yourself from it now. That's super interesting. With India and China and Vietnam, I certainly understand the motive, opportunity and market.

Michael Cohen:

But when it comes to Russia, I'm always confused by Russia because they're just a massive player in so many ways, but its population isn't huge, and it's not really a major market. Frankly, it would be in the diminimous ranges for most things other than perhaps blue jeans and Philip Morris cigarettes, but probably going to get a number of emails from Russians at this point in time. I should clarify that I happen to know those two products were massive counterfeited products in Russia where those companies took actions because of lost sales that they thought were tremendous in Russia.

Michael Cohen:

But there are many products that they just don't hit a market level of interest where it could matter, even though the opportunity for counterfeiting would be replete. But certainly man, in India, you're talking about 1.2 billion people. Vietnam is situated in a location in Southeast Asia that makes it a hub of a whole lot of things along with Singapore and Bangkok, and then of course, China is the most populous nation in the world when it comes to consumers, so that's super interesting. Tell us a little bit... By the way, you don't have to agree with any of that, Lisa. Sometimes I just throw my two cents in the cracks here as I think aloud, so to speak.

Lisa Martens:

No, no. Like I said, I've had so many cases over the past, just very recently, the past year, past year or two in Russia, that I understand what you're saying. But my experience is there is a high piracy rate in Russia and we've dealt with it on domain names, cyber squatters who take the client's trademark as a domain name in Russia, the .ru, and then we have to try to recover them. And they'll put up fake websites and they'll try to sell the products through the fake websites and then we'll have to go to court to stop them and get an injunction to stop them.

Lisa Martens:

I will say, unlike our experience in the Chinese courts where the Chinese courts were just agreeing with the fake evidence that was being presented and we had to appeal, we have had very good experience with the Russian courts, where at the very first level, they've decided in our favor and they recognized the fraud and the bad faith, and we haven't had to do multiple appeals. In that regard, we've had some good successes in Russia that didn't take as long and weren't as hard fought as what it takes in China sometime.

Michael Cohen:

So glad you said that, that of course, that makes so much sense and it's so basic now. But I was thinking of Russia as a market, like you're selling goods on the street and yeah, you can be selling goods on the street but Russia is an export market for anything. To your point, you can buy over the internet, you can do all these things.

Michael Cohen:

I remember when the Recording Industry Association of America and the record labels in America were on a copyright enforcement campaign when it came to music with respect to Napster and other digital music services that were arising at the turn of the century and all had, quote unquote, business models that were interesting. They may have started as sharing exchanges but all had commercial impacts to them that were affecting record sales for sure.

Michael Cohen:

I remember having a conversation with one of those guys and I'm like, "What are you going to do about Russia? You can shut down all these things you're talking about, but I can get any song I want from a Russian site right now for a quarter or a song. What are you going to do about that?" Then, "Well, we'll get there." All those kinds of things.

Michael Cohen:

But it makes me think of your point, that wasn't being sold as a CD on the streets of St. Petersburg. That could be sold to me anywhere, and so yeah, of course that makes all the sense in the world. Let's turn to the real nuts and bolts, if we could, Lisa, and tell me and tell our audience, what have you been telling companies about how to stop these counterfeiters? What is the action plan that you've been talking about and writing about with the world, if you will?

Lisa Martens:

If we progress from that very beginning where you register all of your IP as best you can, trademarks copyrights, patents, et cetera, so now you have an arsenal, if you will, to enforce against the counterfeiters and the infringers, the second level up that doesn't really cost you much of anything but can be extremely effective is taking those registrations, particularly your trademark registrations, and registering them with Customs and Border Protection in each country that accepts those types of registrations.

Lisa Martens:

Here in the U.S., for example, it's literally less than \$200 to register your trademarks with Customs and Border Patrol. Then what that means is they now are your eyes and ears at every port of call, at every border of entry, to watch against the incoming shipment of counterfeit products. That's just the beginning but all countries have this and you can do it in China. You can do it in Germany. One by one, country by country, everywhere you can register your marks, if you also register with Customs.

Lisa Martens:

It really, obviously it can't take all of the burden off of you, to search for counterfeiters online and to do other types of policing and enforcement of your marks, but it's a huge, huge benefit, I guess is the best way to put it. Because the Customs officers will literally call, often it's me, if I'm your attorney of record, and they'll send photos, and they'll say, "Hey, we've stopped this shipment and I've had it happen with semi-conductors." For semiconductor client where they said, "We've stopped this shipment." They take pictures of the products. They take pictures of the labels, where it came from, where it says it's headed, and can you tell us whether this is legitimate or not?

Lisa Martens:

I know a lot of businesses get very freaked out. They're like, "Oh my gosh, I would not want Customs stopping my legitimate goods from coming in or delaying shipments in any way." So just know that when you register your marks with Customs, you also have the option on that form to register who are your legitimate suppliers and where will the legitimate goods be coming from?

Lisa Martens:

They know upfront, okay, if it's coming from the supplier or if it's coming from this country, we don't need to stop it. This is authorized. These are our authorized manufacturers or suppliers or licensees, whatever it may be. But it's been very interesting to me that I've even had over the years, now granted maybe it was a time when Customs was a little slow compared to today, where customers would call me out of the blue with a client who never even registered their marks with Customs.

Lisa Martens:

Customs just found that counterfeit shipment, looked me up and found my name and then sent me photos, and I would tell the client, "Look, they're doing this work for you even though you haven't even paid the \$200 registration fee. We really ought to register your goods with Customs or your marks with Customs, because there could be that much more counterfeiting that they're not stopping because you're not registered."

Lisa Martens:

But it has even happened for clients who weren't registered but I wouldn't count on that. I would say your best bet is to spend less than \$200 and register, because they're going to be your eyes and ears on the ground. That's just level up from registering and protecting for yourself, then protecting and registering with Customs. Then from there, once you've done often, it can be in-house, you can do your own online policing and searching and finding these things.

Lisa Martens:

Often there's even third-party vendors or your paralegals within your own law firm, depending on at what level you want to monitor these things, that can do some searching and then we'll locate infringing websites, we'll locate infringing domain names, and you can do these on a worldwide basis. Even what we have for our clients is through a third party vendor, where there's they call them worldwide watch services, where once you have your trademark registrations, you put them on a watch service and anyone around the world who files an application for the same or a similar mark, you'll receive a notice.

Lisa Martens:

Then that's how you even uncover this example of the pirate who registers in China or the pirate who registers in Russia, India, you often will find it through these watch services. Those are extremely inexpensive too. Those are a little more expensive than Customs, but typically about \$400 per mark per year, you can register your trademark and it's literally sending you notices on a daily, weekly, monthly basis.

Lisa Martens:

They're just constant stream of people around the world who are registering similar marks and you decide, do I want to pursue this? Is this a conflicting mark or not? It's a very minimal time commitment on your part and cost commitment to just be monitoring those things. As we work our way up the scale of things you can do, then of course, once you've found one of these, then okay, let's say you found it through your watch service and someone in India has attempted to register your mark, how do you stop that? What's the first thing you do.

Lisa Martens:

The first thing we do, because it's the least expensive, and you can do this in-house too. You don't even have to have an outside lawyer do it, but sometimes the outside lawyers can draft or ghost write a letter for you to send, or you just turn it over because you don't have time to deal with it and then the outside lawyer send it.

Lisa Martens:

But typically we'll send cease and desist letters, and often we'll engage foreign counsel in that country to send a letter. If the letter comes to them through Chinese council or Indian council or Russian council, and it's written in their language and it's threatening them with lawsuit if they don't comply with the demands and immediately abandon that application or immediately assign it to our client depending on what we really want from it, then they take it more seriously, I think, than if it's a U.S. lawyer sending a letter to another country. So often we'll use local council or local agents to send those letters.

Lisa Martens:

Sometimes it's very quickly, it can go a lot of different ways. Sometimes they just say, "Pay me \$500 and I'll give it to you. Then the client decides, okay, do I want to pay \$500 or do I want to take a firm stance of, I do not pay infringers? No. You turn this over or you abandon it or I'm going to sue you." That's always an ultimate business decision of how do we resolve this. Sometimes with domain names, in particular, we can do anonymous approaches even before sending a cease and desist letter.

Lisa Martens:

Maybe we see if it's something that they've got it listed for sale and you could approach and you could acquire it very inexpensively. If you can acquire a domain name for \$500 or less, oftentimes that's going to be better than the attorney's fees to try to forcibly transfer it or forcibly take it. There's a lot of business decisions and strategies that go into, what next step do we take once we've learned of these infringers.

Lisa Martens:

But at the same time, something as simple as sending a letter can produce really effective results in getting compliance, just having that dialogue and getting them to voluntarily give up what they're doing. Then the cases that I'm talking about, where we go all the way to litigation, it's usually because it's a huge counterfeiting ring and they're making so much money off of selling this product that they just are not willing to turn the mark over to you or to comply with your demands, and they say, "No, I'll hire a lawyer of my own and I'll fight you because I'm making millions of dollars and whatever it costs me to fight you for the next three years, I'm continuing to bring in that revenue."

Lisa Martens:

Those are the kinds of cases that we end up taking all the way to something like that, \$44 million judgment against this ringleader, where they've been selling for years through so many channels and they're making so much money that they'd rather litigate and they'd rather fight and pay lawyers to fight it than to just give up.

Lisa Martens:

But that's, I think the very rare, rare circumstance, and again, 95% of these folks, they want the easy targets, they want to make the easy money and once you're onto them and you've caught them red handed and you're ready to enforce, they just give up and they move on to a different brand.

Lisa Martens:

That's the other benefit, I guess, to being known in the industry as policing and enforcing your marks, and having those news articles of, "I went after this counterfeiter and I obtained this big judgment, not only the injunction but the damages." Is then that brand owner gets that reputation in the industry for not tolerating this type of infringement and counterfeiting. Then the infringers move on. They say, "Okay, well, that's going to be too difficult. I don't want to knock off that brand anymore. I'll pick on another brand in the same industry."

Michael Cohen:

That's just a fascinating thing. I don't know whether this conversation, Lisa, makes me want to become a pirate or not, but 44 million sounds like a big judgment but I have no idea how much the folks made. If I had to pay \$44 million but I made \$250 million, so what? Which launches into this interesting question and I just don't know the answer to it, so I'm going to ask you, and that is whether or not violations of copyright law, for example, are criminal outside of the United States.

Michael Cohen:

Inside the United States it's a criminal statute and it's a criminal violation. There are criminal prosecutions for just this reason, meaning that United States authorities and the United States

policy generally doesn't believe that financial penalties are deterrent for a lot of business crime, if you will, or business interference actions, unless people have their Liberty at stake.

Michael Cohen:

In America, antitrust or competition law violations are criminal and people go to jail. Outside of America, nobody goes to jail. There's a general question that always looms but nobody wants to talk about, but I talk about it when it comes to competition law, which is whether or not it's worth it to conspire outside of America. Is the crime, so to speak or is the offense, I should say if civil, worth it? The studies that have been done shows it does pay way beyond the penalties that are at stake.

Michael Cohen:

Is that an issue when it comes to this area? What are the laws like for something like copyright outside of America? Do people go to jail or is this really just a financial matrix where people are assessing whether or not the knockoff is worth it until you get caught?

Lisa Martens:

You're absolutely right. I have this huge chart on my wall of the worldwide counterfeiting statutes and laws. There are a number of countries where there are not only fines and penalties in terms of monetary fines and penalties, but actual imprisonment and criminal statutes that are implicated and you can be put in jail for this type of counterfeiting, absolutely.

Lisa Martens:

Now the harder part is, okay, there's you have these laws in the books, you have these statutes in these criminal penalties, but it's getting the governments on board to actually take that prosecution all the way to that level of actually throwing these counterfeiters in prison. I will say, again, I think somewhat from my own experience and somewhat from just anecdotally, that there are governments and countries that are less likely to really enforce beyond the slap of the wrist, and maybe the monetary penalties, but are they really throwing people in jail?

Lisa Martens:

What I've seen in terms of the sporting goods industry, the golf industry in particular, for example, is oftentimes even fierce competitors, we'll all team up together and go into certain countries like Taiwan, like where these big Gulf foundries are, and they'll do raids together, they'll share information, they'll share investigation costs and fees. They'll share information, they'll go in and they'll do the raids, but they have to get the government on board.

Lisa Martens:

When they have done it successfully, they can literally have pictures of ceremonies of the government, military agents with them, all in what looks to me like military uniforms and machine guns and such standing around, like burning the evidence and having these big shows and these big ceremonies and these big parades showing, "We're hard on crime essentially. Look what we've done. We've taken all this product out of this foundry and we're burning it in the streets."

Lisa Martens:

But those successes, if you will, from the American company perspectives, are likely very few and far between and you wonder how much of it is trying to show the world like, "No, we do take

these laws seriously." Versus how many times the crime goes unpunished and the counterfeiters don't go to jail.

Lisa Martens:

But there have been those successes and I think the more various industries team up and share information and fair costs and risks, and go in and stop it. That also prevents what I was mentioning earlier, where if you're just the one company stopping the infringement of your product, then often these counterfeiters will just go to the next product over in the same category. Whereas if the whole industry and all the different manufacturers within a category team up, it's harder for them to then go find another victim, if you will.

Michael Cohen:

Lisa Martens, thank you so much for sharing your action plan with us and with all of our listeners. I think I've kept you a little bit longer than my promised 60-minute window and I know how busy you are. But I am sure our audience values you laying all of this out for us today so eloquently and impactfully. Anything else we should know before we wrap up our time together today?

Lisa Martens:

Right. Now, I guess the only other thing that we didn't touch on that is in the article, if your folks get around to reading the long read of the World Trademark Review article. There are lots more tips in there than we had time to speak about today. But a lot of it really is also making sure you have a good handle on your supply chain.

Lisa Martens:

Since everyone in the supply chain is liable, from the manufacturer, to the distributor, to the retailer, all the way down to the ultimate consumer, it's good to make sure that you have strong indemnifications in place, that you are working with suppliers that you know aren't selling the product to you in the front door and then selling it to your competitor or some nefarious counterfeiter out the back door.

Lisa Martens:

Just making sure that if you're, even at the retail level, if you're a retailer and you're buying product, making sure you're buying the legitimate product as opposed to a counterfeit product. Because sometimes retailers are just duped. They don't even know. These counterfeiters are so, so good and the counterfeit can be so just like the original that even retailers are duped. Just making sure that you've got the right relationships in place and the right agreements in place to protect you from that type of fraud.

Michael Cohen:

Great. Thanks so much. We will, again, link that article with the fulsome tips and analysis for all of our listeners. It's just a click away in the show notes. Lisa, thanks so much for being on the Nota Bene Podcast. It was wonderful to have you and what a great conference.

Lisa Martens:

Thanks so much for having me. My pleasure. Anytime.

Michael Cohen:

Well, that's it for this week, folks as always. Thank you so much for listening.

Resources Mentioned:

U.S. Trademark and Patent Office – www.uspto.gov

European Cluster Collaboration Platform - <https://clustercollaboration.eu/tags/ctmo>

Contact Information:

Lisa's Sheppard Mullin attorney profile - <https://www.sheppardmullin.com/lmartens>

World Trademark Review article – Practice tips for combatting counterfeiters: an action plan for brands, manufacturers and retailers: <https://www.worldtrademarkreview.com/anti-counterfeiting/practice-tips-combatting-counterfeiters-action-plan-brands-manufacturers-and-retailers>

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