

LEGAL AND PRIVACY

Knockoffs: Implementing an effective and cost-efficient enforcement strategy

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This is the final piece in my four-article series about developing an effective strategy to deal with knockoffs and counterfeits when faced with a limited budget.

I assume that each of the three steps outlined in my prior articles have been implemented and are used to inform and support the company's enforcement efforts.

Planning an appropriate company enforcement strategy is not a one-size-fits-all approach.

As the scope and prioritization of the knockoff problem varies, so too will the company's enforcement plan.

I now outline the main issues to be considered and determined as steps in designing an enforcement strategy:

1. What are the goals of an enforcement program?

At first blush, the answer to this question seems obvious: stop the knockoffs and other infringements. But the actuality is far more subtle.

First, complete elimination of knockoffs is often an impossible goal.

If a particular brand or design is particularly hot, then there are thousands of would-be copyists seeking to pirate what is not theirs.

A good analogy is thievery or shoplifting these can rarely be completely eliminated. What can be done is minimize the loss from these acts.

The same applies to knockoffs the goal should be to minimize the presence of knockoffs in the marketplace, which may very well be an online marketplace.

Planners of the enforcement program should delineate the scope of what they are trying to accomplish. This includes geographic scope, types of outlets such as bricks-and-mortar stores, Web sites and social media, and the types of infringements to be dealt with.

It is strongly suggested that the company come up with some kind of metric to measure the problem and gauge the degree of success particular efforts yield.

This might be as simple as how many hits or how many infringing hits a search on eBay yields in any given day. Or how many infringing Web sites are found using a Google search.

Beware of false metrics. We have seen companies over the years that have retained service providers to do online enforcement. They brag about how many enforcement actions they have taken: "Last month, we took down 10,000 listings from eBay/Facebook/the Web."

The problem with using such metrics is that they focus on what the provider did, not its effect.

If the provider took down 10,000 listings, but now there are 20,000 more, it is questionable whether its efforts should be viewed as a runaway success.

2. Enforcement tactics

Enforcement includes three basic and complementary tactics that companies should employ: direct demands, the "spoke-in-their-wheels" tactic and the deterrence tactic.

Direct demands, as the name implies, means demanding someone stop infringing, with a threat of adverse action usually litigation if he or she does not accede to the demands. This may also encompass additional demands: information about sources, documentation about dealings in the infringing items, both on the purchase and sell side, and demands for monetary compensation.

Spoke-in-their-wheels means interfering with the knockoff purveyor's means to engage in the knockoff activities. This might be as simple as having a merchant's infringing listings removed from a platform, or having its webhost shut them down until all infringing items are removed. Or it might be cutting off their supply source.

Deterrence means making it so onerous, difficult and financially unrewarding that infringers of your brand or design will decide it is not worth the trouble.

Willie Sutton, the famous bank robber, when asked, "Willie, why did you rob banks?" answered, "because that's where the money is."

Like Willie Sutton, infringers look for potentially profitable and easy targets to copy.

The less profitable and more difficult infringing becomes, the less attractive knocking off your company becomes.

"Deterrence" should be focused on deterring infringing on your brand, not infringing in general.

Like some popular car-theft devices, the goal is not to discourage piracy in general, but to convince pirates that it is more worth their while to poach elsewhere.

3. Enforcement tools

There are three principal tools used to enforce rights: letter writing, takedown notices, and litigation.

Letter writing is the most common, and often the most cost-effective tool the brand owner has. It generally starts with a cease-and-desist letter that demands cessation of infringement, identification of source(s) and documentation.

Often it takes several rounds of letters until the target is convinced to both stop and provide everything that is needed.

Correspondence with a particular infringer conclude with at least a settlement agreement, if not a monetary payment of some kind, even a token one. The reason is not legal, but psychological impress on the infringer the seriousness of what is occurring and increase the deterrence factor.

Takedown notices involve third parties, usually Internet platforms such as auction sites and social media, or Internet service providers. These too are relatively inexpensive they are the equivalent of letter writing, albeit to third parties.

On one level, they can be very effective as we discussed above, there are companies that will issue takedown notices wholesale. On another level, however, they are limited. All that they accomplish is removal sometimes, temporary of an infringement.

Litigation, of course, is far more expensive and should be started with great care. That said, the potential reward, both in terms of immediate reward collection of damages and deterrence effect can be great.

More importantly than the money, however, is that a successful judgment could be used to intimidate other

infringers a judgment that is proof-positive that the company is willing to go to the mat to protect its rights, that the court agreed there is something valuable to protect, and that the infringer will face large legal bills and then a larger judgment in the end.

Thus, while expensive, judiciously used litigating can be a great investment in enforcement and, potentially, pay back much more than what the company puts in.

4. Methods of proceeding

Enforcement is not, of course, a one-step process.

A good enforcement program will use the tactics and tools to proceed towards the goal that the company has adopted, going after multiple targets to reach the goal. How should the company proceed?

There are two basic strategies: the ladder strategy and the shotgun strategy.

The ladder strategy attempts to trace the infringing goods up the "ladder" to cut them off at the source. The obvious advantage is that it allows the company to move expeditiously to the source of the problem and cut it off at the roots.

The problem, however, is that many companies soon discover that the distribution ladder leads back to a foreign source usually China where both identification and enforcement are very difficult.

The shotgun strategy attempts to clean out infringements from a particular marketplace, employing the enforcement tools and tactics discussed to tamp down on infringement.

While this "retail" method can be more costly, it often is the only alternative a company has.

5. Choosing an enforcement plan

Enforcement can be implemented by in-house personnel, such as paralegals (often cost-effective for letter writing and takedown notices), outside vendors (for takedown notices, especially in bulk) and law firms (all of the tools, including, of course, litigation).

Many companies use a combination of these, depending on the scope of the infringement problem and enforcement effort, and the experience of the company.

What is crucial is that someone be in charge to coordinate and oversee all of the efforts.

Apart from ensuring that the overall program is proceeding efficiently towards the enforcement goal, it is crucial that there be one central point where all intelligence about the infringements can be assessed and evaluated, and then properly used in the next step of the enforcement program.

6. Budgeting

Setting monetary parameters for the enforcement plan is an obvious requisite for ensuring that the plan stays cost-effective.

All of the considerations discussed in this series the scope and extent of the problem, the priorities, the IP foundation, the tools to be employed in the enforcement program factor in creating a budget.

A budget should be viewed as a framework, not an inflexible rule.

Enforcement efforts are unpredictable, and one never knows when additional costs might be required.

Of course, it is crucial to communicate the budget to all of the actors so they know what is expected of them.

Putting it all together

I have outlined the main considerations in formulating an enforcement plan for a company facing infringement problems.

An enforcement plan is not something set in stone it should be flexible and evolve to deal with new information acquired during enforcement, and changes in the knockoff market.

If you are "hot," knockoffs are a problem that never end, but it can be controlled and minimized.

As in many areas of business, experience is often a great shortcut to proper decision-making.

DEALING WITH knockoffs and counterfeits is something that many luxury brands have had to deal with over the years.

There are many talented resources in-house personnel, outside consultants, law firms that have a wealth of

experience that a company can employ to help it formulate and implement an enforcement strategy.

A small outlay to tap into such experience is often a wise investment for a company trying to deal with such problems.

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Please read the previous three articles by Milton Springut on the same topic:

[Knockoffs: Securing the IP foundation on trademarks, trade dress, copyright and design patents](#)

[Knockoffs: Creating an effective strategy on a tight budget, part 2: Prioritizing among the problems](#)

[Knockoffs: Creating an effective strategy on a tight budget, part 1](#)

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