

LEGAL/PRIVACY

The counterfeit battle rages on: Richemont upps the ante

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By RACHEL LAMB



Luxury conglomerate Compagnie Financiere Richemont is

continuing the battle against counterfeit luxury products with a lawsuit against a Pakistani Web site that it claims is an unauthorized retailer. How far do luxury houses have to go to protect themselves?

The conglomerate's Chloe, Alfred Dunhill, Montblanc-Simplo and Officine Panerai have filed a lawsuit against Tradekey, claiming that it fosters an environment for unauthorized sales. Having dealt with lawsuits for other Richemont brands such as Cartier, this is the conglomerate's continuing struggle to protect itself.

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“Experience shows that the brands that aggressively attack counterfeit issues are the ones

who get things done,” said Steven Gursky, partner and head of intellectual property practice at [Olshan, Grundman, Frome, Rosenzweig & Wolosky LLP](#), New York.

“Brands that do something generally have less of an issue, as are those who are calling public attention so that counterfeiters are distracted from going after the brand,” he said.

Richemont did not respond by press deadline. Mr. Gursky is not affiliated with Richemont or its brands, but offered comment as a third-party expert.

In addition to those involved in the counterfeit case versus Tradekey, Richemont also owns brands such as Cartier, Jaeger-LeCoultre, Piaget, IWC, Van Cleef & Arpels and Baume & Mercier.

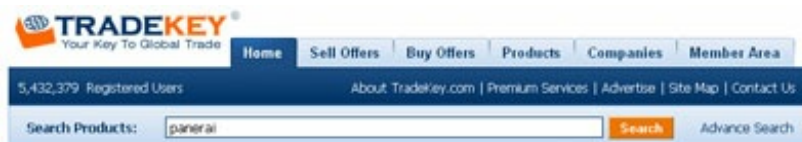
A history

As long as there have been luxury items, there have been knock-off items that sell for much less.

“Counterfeit product is a fact of life that goes hand and hand with creating desire and demand for highly exclusive, high priced goods,” said Pam Danziger, president of [Unity Marketing](#), Stephens, PA.

Tradekey sells apparel, timepieces and accessories from Panerai, Alfred Dunhill, Chloe and Montblanc in addition to other brands such as Louis Vuitton, Dolce & Gabbana and Marc Jacobs.

As of June 16, the Richemont brands involved in the lawsuit have been removed from Tradekey.



Panerai's page has been removed from Tradekey

Some experts believe that there are approximately 40 million fake luxury watches produced and sold each year. In 2010, Switzerland’s top watchmakers exported 26 million timepieces, per an article in [Financial Times](#).

Therefore, there is reason to believe that for every authentic watch made, there is one or more unauthentic replica, per Financial Times.

Since many of Richemont's brands manufacture watches, the conglomerate's battle against knock-off goods is constant.

In 2009, Richemont's Alfred Dunhill and Gucci Group – now owned by Pinault-Printemps-Redoute – won a \$4.3 million lawsuit against knock-off goods in China.



Gucci has struggled against counterfeit items

The plaintiffs then struggled to receive the money won from the Bank of China.

Additionally, in 2009, Cartier threatened Apple with a lawsuit for the fake branded applications found in Apple's App Store.

Understandably, Richemont is not the only conglomerate struggling with knock-off items.

Rival companies PPR and LVMH Moët Hennessey Louis Vuitton are in a constant battle to protect their brands' reputations.

For instance, LVMH's Fendi and Louis Vuitton brands recently won lawsuits against Burlington Coat Factory and eBay Fashion for copycatting and unauthentic sales, respectively.

What's at stake

Although counterfeit goods can lead to a decrease in monetary assets for a brand, the main problem against knock-off items is a brand's reputation.

"Counterfeit products don't take away from sales of the brand, since the majority of counterfeit products out there are bought by customers who can't buy the real thing anyway," said Ms. Danziger.

Instead, the main worry that brands have is their reputation.

"If a person sees someone walking down the street with a handbag that says Fendi, but it is

frayed or disfigured and the unknowing person does not know that it's a knock-off, then would she ever want to buy a Fendi bag?" Olshan's Mr. Gursky said.

"You're going to lose customers literally, or in the prestige of the brand," he said. "The successful branded customers depend on the quality of luxury products, and if you can't depend on quality because it actually isn't a real product, it diminishes the value of the brand."

Where the money does come in, though, is the cost of pursuing a knock-off battle.

Luxury houses and their owners have entire departments dedicated to seeking out and catching those who authorize the sale of branded items.

However, it is unreasonable to think that every knock-off will be found and confiscated.

"Brands will not spend thousands of dollars to stop the sale of one handbag," Mr. Gursky said.

Instead, companies pour most of their resources and money into huge cases, such as the lawsuits against Tradekey, eBay and Burlington Coat Factory.

These are definitely worth spending some money on, per Mr. Gursky. In these cases, most of the cost goes towards private detectives and lawyers.

What to do

Despite the increasing aggressiveness of legal action, the manufacturing and selling of counterfeit goods will probably never totally cease.

Therefore, luxury brands need to convince consumers that their unmatched quality and heritage are worth the additional money.

"For brands like Chole and Montblanc, fakers are never going to go away," Unity Marketing's Ms. Danziger said.

"Legal means is not likely to make much headway in keeping the fakes off the street," she said. "What brands need to do is make their authentic product very distinctive, hard to reproduce and to educate the public about their brand's specific, unique qualities."

Luxury houses should emphasize the attributes that designate them worldwide leaders in product and services.

That is, their heritage, long-lasting design and practical benefits that consumers get from paying premium prices.

Brands could highlight the feel-good aspect that comes from buying a true luxury product, per Mr. Gursky. Owning a luxury item is often a sign of success and accomplishment, which makes consumers feel important and special.

Luxury companies could also beat copycats to the punch by knocking themselves off, so to speak.

Multiple companies such as Karl Lagerfeld, Lanvin and Matthew Williamson design lines for stores such as H&M and Macy's that make their products accessible for a wider span of customers.

Furthermore, brands such as Valentino, Marc Jacobs, Tumi, Hugo Boss and Chloe sell products on licensed retailers such as Gilt Groupe at discounted prices.

"Rather than defending your brand against the counterfeiters, you take the fight to them by 'knocking off' your own brand yourself," Ms. Danziger said.

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