



*With the support of the
European Commission*

Combating Counterfeiting



*A practical guide for European
engineering companies*

October 2001

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FOREWORD



A word from Orgalime's President

In March this year, I had the pleasure of chairing Orgalime's first ever workshop on counterfeiting. This was made possible, both through the effort of a dynamic group of company and association experts working with the Orgalime secretariat, who provided the impetus and by the European Commission which co-sponsored the event. I would like to thank them all for their tremendous efforts.

What is Orgalime? Orgalime, which was set up in 1954, represents the interests of 31 national trade federations in 21 European countries at the EU level. Orgalime's members represent over 100,000 companies in the mechanical, electrical, electronic engineering and the metalworking industries.

Counterfeiting is a major problem. If we are all aware of the counterfeiting of luxury branded goods, engineering companies are also being increasingly affected for products used by industry and consumers: plugs and sockets, fuses, switches, household appliances and their controls, hand and measuring tools, cookware, locks, taps and valves, motors, pumps and many more. We believe it is important to fight back and to provide companies the basic advice and guidance to do so. The Orgalime workshop allowed companies to compare their experience and the practical problems they faced when dealing with counterfeiting. They also discussed the steps which any company can and should take. The first result is this guide. I hope that you will find it useful.

Fausto M. Carlo, Orgalime President



A word from the European Commission

European competitiveness is based on innovation and quality. Counterfeiting of our patents, trade marks and product designs by overseas counterfeiters causes considerable damage to the European economy. Estimates put the share of counterfeited goods at between 5 and 7% of world trade in value terms.

This amounts to a significant distortion of global competition and a serious handicap for us.

We must and do fight against counterfeiting, product piracy and other infringements of intellectual property rights (IPR) by all legal means at our disposal.

Combating counterfeiting ranks high up on the Commission's agenda. Several services are actively involved in this endeavor. Directorate-General Trade fights against counterfeiting of European products on overseas markets and advocates the correct implementation of WTO TRIPs agreement, which sets minimum standards of intellectual property protection. Directorates-General Internal Market and Taxation and Customs Union fight in collaboration with the EU Member States against counterfeits trying to penetrate the European market and draft European IPR legislation. Directorate-General Research develops new instruments and techniques to curb counterfeiting. Directorate-General Enterprise, whom I represent, acts as the Commission's contact-point for businesses on counterfeiting, launches anti-counterfeiting initiatives, supports them financially and co-ordinates the Commission's activities in this field.

Recently the Commission and Orgalime have stepped up our joint strivings against counterfeiting of engineering products with i.a. an information campaign, a workshop, the launching of a data base and this guide, which I warmly recommend to all engineering firms and SMEs in particular. I wish to thank Orgalime's Anti-counterfeiting Task Force for the great job they are doing and encourage it to continue the combat.

A handwritten signature in black ink, appearing to read 'E. L.' followed by a flourish, positioned above a vertical line.

COMBATING COUNTERFEITING

A practical guide for European engineering companies

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1. INTRODUCTION

Counterfeiting of products is a serious and fast growing problem for many companies in the European engineering industry and, in the coming years, unless swift and effective action is taken more and more companies will be adversely affected by this criminal activity. It is more than likely that your company will be one of those. A task force comprising representatives from each of the three Orgalime sectors - mechanical engineering, electrical/electronic engineering and metalworking - has studied this problem and has produced this guide which is based on the experience of those companies large and small which are already fighting back against the counterfeiters.

The purpose of this guide is to offer practical advice to companies, in particular small and medium sized enterprises, involved in the manufacture of engineering products within the European Economic Area. This advice ranges from information on how to recognise a counterfeiting problem to what measures to take to ensure as far as is possible that products are protected against counterfeiting.

These measures include the establishment of intellectual property rights, the use of anti-counterfeiting technology, business security, operation at trade fairs, enforcement of intellectual property rights and the power of networking, cooperation and shared intelligence.

This guide is aimed at the management of a typical small company and is not intended to be a comprehensive detailed guide such as that issued by the International Chamber of Commerce (ICC)¹.

¹ ICC Counterfeiting Intelligence Bureau, *Countering Counterfeiting – A Guide to Protecting and Enforcing Intellectual Property Rights*, April 1997.

2. WHAT IS COUNTERFEITING ?

Counterfeiting is the illegal reproduction / imitation of products.

Such reproduction/imitation is illegal when an Intellectual Property Right (IPR) is infringed, inter alia:

- a registered trademark or trade name, and/or
- an unregistered proprietary right for the "trade dress" or "get-up" or designation of a product, and/or
- a patent, utility model and/or design right/design patent, and/or
- a copyright.

The IPRs listed above are infringed if any of the following occurs:

□ *Registered trademark or trade name*: the copy products bear a mark or other designation which is identical or confusingly similar to that of a product with a registered trade mark or trade name.

□ *Unregistered "trade dress" / "get-up" / designation*: these terms designate the copy products which have a form and visual appearance, or bear a designation which are recognised by the public as distinctive and hinting to a specific producer. The public may therefore be led to the erroneous belief that the copy products come from the same source as the original products.

□ *Patent, utility model, design right*: here one or more parts of the original product are protected by valid patents and/or utility models and/or design rights (in the U.S. called design patents), and these protected parts show up in the copy product.

□ *Copyright*: the copy product is a text (brochure, book, pamphlet, manual etc.) or picture or film or sound or computer software or technical document and drawing², which is basically identical with the original product.

It should be noted that the reproduction or imitation of a product is not illegal, if no IPR is infringed. In fact, even the so-called "slavish imitation" of a product is allowed, if no IPR in relation to the imitated product is infringed. On the other hand, if an IPR is infringed, the law and the authorities of most countries in the world give the IPR owner effective weapons to eliminate the counterfeit products from the market. This is not a satisfactory situation as slavish copies can be a serious problem for a manufacturer and therefore

² See Orgalime publication, "Drawings & Technical documents", June 1993.

Orgalime is using its influence among European lawmakers with the aim of obtaining better protection against such copies.

The IPRs discussed above are explained in more detail in chapter 4 of this guide.

3. HOW TO RECOGNISE THE PROBLEM ?

Many companies are unaware of counterfeiting or do not see it as a serious threat to their business preferring to believe that it is a problem that other companies suffer from but which will not affect them. There are a number of reasons given for this such as “*we are too small*”, “*this is a problem, which only affects the big names*” or “*we only sell in markets that we know well and through trusted agents*”. These arguments are sometimes used as excuses to avoid facing up to the fact that if you market a successful product and have developed a reputation even in a small niche market you are susceptible either to your trade mark or your product design being abused by a counterfeiter.

While it is crucial for a manufacturer to appoint only trustworthy serious distributors, it is a fact that a minority of disloyal distributors do supply fakes behind their suppliers backs so it is important to check a distributors background before signing an agreement and regularly during the course of the contract.

There are other checks which you can easily carry out on a regular basis which may be a sign that you have a problem. These include:

- ❑ A sudden loss of market share, especially in export markets
- ❑ An increase in the number of product-related customer complaints
- ❑ Increased activity at sector trade fairs by new entrants, especially from the Far East or the Middle East
- ❑ Information received from your Trade Association or competitors or partners in the supply chain, especially distributors who are often the first to discover signs of counterfeiting in their national market.
- ❑ Other sources of information such as the broadcast media, newspapers, the Internet and technical/commercial journals.

If these checks reveal that you have a problem, you should consider taking the actions outlined in the following chapters. If you decide to ignore the problem, you may lose more than your market share: the very reputation of your company could be at stake, and to make matters worse legal opinion has indicated that if you have been made aware or should reasonably have been aware that your trade mark was being used by counterfeiters and did nothing to stop it, you may be held responsible under product liability legislation for damage caused to person or to property by the fake product.

We describe hereafter the steps you can take to try to prevent the problem and if you cannot do so, the options open to you for combating it.

4. LEGAL PROTECTION

4.1 Trade Mark and Trade Name Protection

A trade mark, brand name, or trade name is one of the most useful marketing tools available to the manufacturer. It represents the goodwill, reputation and the image which a company enjoys with the public on the market.

Efficient legal systems exist throughout the world to protect trademarks, brand names and trade names. Indeed, member countries of the WTO (World Trade Organisation) are obliged by the so-called TRIPs Agreement (Trade Related Aspects of Intellectual Property Rights) to provide for efficient registration and enforcement systems, including criminal procedures and penalties.

However, manufacturers can benefit from these systems only if they have their marks/brand names or trade names registered in the countries where they trade.

Without trade mark registration in a specific country

- you may not be able to take legal action against someone using the mark
- you may not be able to prevent a third party, sometimes even your own agent or local distributor, from registering the mark in his own name and for his own benefit
- it will be more difficult and sometimes impossible for customs and other authorities to act against infringing products.

In view of the cross-border activities of most companies, i.e. the "globalisation" of the world economy, it is not sufficient to have registered your marks or other product designations only in your own country. All companies should have a strategy whereby trademark registrations are sought.

You should therefore register the marks preferably in

- all countries in which your products are or will in the future be marketed
- all countries which are likely sources of counterfeit products.

Of course, such registrations cost money. However such expenses are moderate, especially compared to the loss of the market to copy products, or to the cost of legal proceedings, if a third party has registered one's mark(s).

Therefore, in order to keep the cost incurred at a minimum, many states in the world have concluded multilateral agreements which enable trademark registrations in many countries by a single application (the so-called "Madrid Union" or "Madrid Protocol"). In the European Union a "Community Trademark" which offers protection in all EU member states can be obtained.

The registration of a trademark is initially valid for ten years and by payment of a fee may usually be renewed an indefinite number of times, thus a trade mark may live endlessly.

A patent and trademark attorney may help you in this matter.

As a simple and inexpensive measure to make the public aware of your trademark protection, it is recommended to attach the ® symbol to any mark which is registered.

4.2 Protection of unregistered Trade Dress / Get-up or Designation of a Product

A specific trade dress, get-up, or designation of a product may also be the object of a trademark registration or a registered design. In such cases, the rules in section 4.1 and 4.3 are applicable.

If, however, no registration has been provided for, you may still obtain legal protection in the following circumstances:

- ❑ the trade dress / get-up / designation must be recognised by the purchasing public as distinctive and pointing to a specific producer
- ❑ the copy products are (whether or not intentionally) misrepresented such that the public is led or is likely to be led to believe that the copy products come from the same source as the original products
- ❑ the imitator copies these characteristics for no sensible reason
- ❑ the producer of the original products must suffer or be likely to suffer damage due to the erroneous belief of the public about the source of production.

The legal basis for such protection is the doctrine of "Passing Off" in countries with common law (e.g. the UK), and the Trademark Law and/or Law of Unfair Competition in most other countries.

It should be noted, however, that enforcement of this legal protection is much more difficult and uncertain, and different from country to country, compared to that enjoyed by registered trade marks. It should be envisaged only as an emergency means, and trademark registration should be preferred wherever it is possible. As mentioned earlier Orgalime is continuing to press for a harmonisation of laws on this issue.

4.3 Protection by Patents, Utility Models, Design Rights/Design Patents

Patents protect new technical features of a product or a process, if they have been applied for in a country, and have been granted by the pertinent Patent Authority, often after examination for novelty and inventive step. Their lifetime is a maximum of 20 years in most countries and cannot be extended.

Utility Models exist only in some countries, e.g. Germany, and can be considered as "small patents". They are officially registered as rights after application to the relevant National Authority, and may exist for 10 years.

Design Rights / Design Patents protect the shape, considered as a new aesthetic appearance of the design of a product. The protection is reserved for the visible shape of the product which is not imposed by its technical function. In the most countries designs must also be registered with the relevant State Authority. The lifetime is limited by national laws and varies from one country to another.

Like registered trademarks, these IPRs are also included in the TRIPs Agreement, so any WTO member must provide for an efficient registration and enforcement system. Furthermore, there are powerful patent systems existing in Europe and on a global level, whereby patent protection may be achieved in many states by a single application only.

It should be noted that these forms of IPR must not be made available to the public prior to filing with the relevant Patent Authority. Patents, utility models or design rights / patents on objects which are not new at the time of filing will be invalid in most countries. Just a few provide a "grace period".

The cost of obtaining patent protection is higher than for trademark registration. However, when the producer of a copy product uses neither a trademark nor a protected trade dress of an original product, but "only" the technical or aesthetic features of the original, only patents and/or design rights may help to ward off copy products.

In any case, manufacturers must also have a strategy with regard to these forms of IPRs. In particular, they should be applied for :

- in countries where copy products may be manufactured
- in countries where the products will be marketed.

4.4 Copyright Protection

Copyright protects original artistic and literary work, for example texts, pictures, films, sounds, computer software, or technical documents and drawings. Registration with a National Authority is not required, but may be obtained, if desired, in the US. In principle, no cost is incurred in obtaining copyright protection.

Copyright protects the form or the expression of an object, and does not protect an idea, method, algorithm or the like. Its lifetime is 70 years after the death of the author.

Like trademarks, patents and design rights, copyright is also included in the above mentioned TRIPs Agreement, and obligations are therefore imposed on the WTO member states.

It is recommended, but not mandatory, to attach the "copyright notice" to any work for which copyright protection is claimed. Such "copyright notice" consists of the following elements:

- the symbol ©, or the word "Copyright", or the abbreviation "Copr."
- the year of the first publication of the work.
- the name of the owner of copyright to the work, or an abbreviation of the name, or any alternative designation by which the owner can be recognised.

4.5 Country of origin

While country of origin marking is not necessary for products sold in the EU some other markets such as the USA do require it. Many counterfeiters use such marking illegally and therefore the legitimate use of country of origin marking by genuine manufacturers can act as a de facto additional protection for their products.

4.6 Enforcement of Intellectual Property Rights

If a copy product is in fact a counterfeit, i.e. if an IPR is infringed, there are powerful means to enforce your rights and to prosecute the counterfeiter.

The means of enforcing IPRs, and the conditions, are provided for in the WTO TRIPs agreement and include, amongst other, provisional measures, civil and administrative procedures and remedies, including prohibitive injunctions, special requirements related to border measures and criminal procedures. For further information see the TRIPS agreement³.

The means of enforcing IPRs are, in principle, at the disposal of right holders and companies in all EU member states.

The sanctions which may be imposed on a counterfeiter are:

- ban on further manufacture of the counterfeit products
- seizure of the counterfeit products
- destruction of the counterfeit products
- compensation for damage which the original manufacturer has suffered
- penalties, possibly prison.

Such sanctions can only be achieved following legal prosecution.

Before filling a lawsuit, you should denounce the infringement to the police. Sometimes, the counterfeiting activity can be halted by administrative

³ WTO TRIPS agreement Part III: Enforcement of Intellectual Property rights; the WTO TRIPS agreement can be downloaded at : http://www.wto.org/english/docs_e/legal_e/27-trips.wpf

measures. If you must go to court, you will need to know which local authority/ies deal/s with IPR infringements and how you have to lodge a formal complaint and follow it up.

It is advisable to take action to protect your intellectual property rights as soon as your potential infringement becomes known to you as any delay would jeopardise your ability to enforce your IPRs.

You can also use the Trade Barriers Regulation⁴, a EU mechanism for individual firms, as well as industries, with an international trade problem, to ask the EU to intervene on your behalf. A wide range of trade barriers is covered by the Regulation, amongst them intellectual property rights. Companies can submit a formal complaint to the Commission for investigation. If the complaint is ruled admissible and the Commission's investigation has shown that a barrier does exist contrary to international rules, and that injury or adverse trade effects have been inflicted on a Community industry or company, the Commission will open talks with the government concerned or bring a case under the WTO dispute settlement procedure.

⁴ Council Regulation (EC) No. 3286/94 of 22 December 1994. The document can be downloaded at : http://europa.eu.int/comm/trade/policy/traderegul/index_en.htm

For further information on the procedure, see "What is the Community's Trade Barriers Regulation? Opening new trade opportunities for European business", Office for official publications of the European Communities.

5. TECHNOLOGICAL PROTECTION

Besides the legal protection from which products benefit, there are also a number of technical devices which you can use to protect your product. These include holograms, smart cards, magnetic strips, special inks and microscopic tags⁵ (these also enjoy a certain legislative protection⁶).

There are a number of criteria to be considered when selecting your method of protection:

- It should be exclusive to you
- It must be inseparably attached to the product
- It should combine visible and invisible elements
- It must be easy to verify and recognise
- It should be impossible to copy, remove or alter
- It must be cost-effective.

The use of technology must always be accompanied by a rigorous in house company security plan with the following characteristics:

- It must be seamless, covering incoming security materials, production, installation and merchandising
- All phases and staff should be subject to security checks
- All scraps must be collected and disposed of in a secure manner
- There should be continuous improvement of the scheme is a must in order to stay one step ahead of the counterfeiters.

It is essential that customs authorities are made aware of your efforts to protect your products and that officials receive suitable training to help them check for counterfeits.

It must be appreciated that technological protection is something that should be considered in addition to the other actions indicated in this guide. It is not a complete solution in itself. One must remember that the counterfeiter's biggest advantage is that he can afford to sell the product at a fraction of your economic price, and that many of his customers may not wish to look too closely into whether the products or the brand names are genuine.

⁵ ICC Guide *Countering Counterfeiting* (1997), p. 25-38 (technology available). ICC *International Anti-Counterfeiting Directory 2001*, p. 77-123 (firms producing anti-counterfeiting technologies).

⁶ Directive 2001/29/EC on the harmonisation of certain aspects of copyrights and related rights in the Information Society, Art. 6. The document can be downloaded at : http://europa.eu.int/eur-lex/en/lif/dat/2001/en_301L0029.html

6. DIRECT ACTIONS AGAINST COUNTERFEITERS

If despite taking the actions advised above, you find yourself with a counterfeiting problem there are a number of actions that you need to take.

These may be divided into several areas, as follows:

6.1 A Company Anti-Counterfeiting Policy

The first step in the fight against counterfeiting is recognising that there is a problem or a potential problem. The second step is the establishment of an anti-counterfeiting policy. While it is essential that the policy is initiated and supported by the management it should be implemented at every level within the company. The implementation of the policy should be coordinated by an individual specifically allocated the task and directly responsible to senior management.

The policy should include the following aspects:

- Product development
- Production control
- Monitoring of markets
- Information management especially the security of electronic communications
- Cooperation with competitors
- Cooperation with the authorities.
- Cooperation with and education of distributors to detect counterfeits in the market.

Further information on how to implement a company anti-counterfeiting policy is available in the ICC Guide⁷.

⁷ ICC Counterfeiting Intelligence Bureau, *Countering Counterfeiting – A Guide to Protecting and Enforcing Intellectual Property Rights*, April 1997, p. 39-54.

6.2 Legal Action in the Market

6.2.1 PREPARATORY MEASURES

For products protected by an Intellectual Property Right (IPR) the rightholder is the only person who can initiate action to defend those rights. You are likely to need the help of investigators, lawyers and certainly national authorities in the countries where the infringing products are made or traded. The steps that need to be taken will vary depending on the nature and location of the infringement but can be summarised as follows:

- ❑ Carry out investigations in the countries where the infringing products are being marketed to establish who is selling them. It is important to attempt to establish the source of the counterfeit products and the supply chain for them
- ❑ Collect evidence showing the details of the copy products (e.g. by samples, advertising brochures etc.) as far as such details are relevant to your IPRs. For example, obtain evidence which shows that the copy products bear your trade mark or distinctive designation, or that the copy products use the form and appearance of your products which is associated by the customers with your company.
- ❑ Prepare documentation of your relevant IPRs, e.g. registration certificates for trademarks, patents, designs etc., or evidence that your products enjoy a distinctiveness and reputation with customers as to their form and appearance, which is used in the copy products.
- ❑ Establish relations with local lawyers and/or investigators and/or authorities who are specialised in prosecuting counterfeit products⁸, and ask for their opinion on which measures have the greatest chance of success.

While the rights holder needs to be involved in taking such actions, it is often more effective and economical if several companies in an affected sector can work together against counterfeiters. Remember counterfeiters are not restricted to one brand name, they can and do switch brands to suit their convenience, and working together can limit their options.

The associations mentioned in the annex can give advice and/or support to companies.

⁸ For further information on law firms, investigators and technology producers specialised in anti-counterfeiting work see: ICC Counterfeiting Intelligence Bureau, *The International Anti-Counterfeiting Directory (2001)*.

6.2.2 NEXT STEPS

If the preparatory measures have led to the result that legal actions against the counterfeiter(s) will probably be successful, if in particular the source of supply is positively identified and the legal opinion of your lawyer is that you will have a good chance to enforce your IPRs against the counterfeit products, envisage the following measures:

- ❑ Have your local lawyer advise the local authorities and work with them to arrange for the factory to be raided, the infringing product seized and subsequently destroyed
- ❑ Consider civil action in order to obtain compensation for the damages you have suffered
- ❑ Consider criminal proceedings in order to get the counterfeiter punished by fine and/or prison.

Where products are not protected by registered rights or copyrights, it may still be possible in some countries to take action for unfair competition, "passing off", or trademark infringements against a product which is an identical imitation, if the conditions which are described above in chapter 4.2. apply.

If you believe that such a case could be proved, the actions described above should be followed but you should be aware that obtaining a judgement may be more difficult and, in some countries, not possible. Legal advice should be taken before proceeding with such an action.

6.2.3 ACTIONS AT TRADE FAIRS

Trade fairs are often used by counterfeiters to bring their products to the attention of legitimate buyers. If this the case in your market sector, there are a number of actions that you should take.

Before the Fair

- ❑ Assemble a file of patent, trade mark or design registration documents
- ❑ Inform the Customs Clearance Office about products on display which you believe may be counterfeits. The office can seize counterfeits before the fair starts
- ❑ Obtain copies of previous warnings or judgements against counterfeiters
- ❑ Contact a local lawyer or the fair lawyer to make sure that he will help you quickly during the fair
- ❑ If you are sure that counterfeit products will be offered at the fair, you should alert the customs authorities

At the Fair

- Collect evidence (products, catalogues, business cards, photographs)
- Prevent further presentation at the fair
- Obtain information about the manufacturer
- Get the exhibitor to sign a declaration of discontinuance
- Contact the state representative office at the fair, if existing, to attempt to negotiate for an administrative intervention.

After the Fair

- Obtain a legal judgement
- Prevent further selling on the market
- Prevent presentation at future fairs

FWI, the German Tool Manufacturers Association, has produced Guidelines with forms and specimen texts on this subject which might be of interest to you⁹.

6.2.4 COOPERATION WITH EUROPEAN CUSTOMS AUTHORITIES

It is essential that you establish a good working relationship with the relevant customs authorities particularly if counterfeits of your products are entering the EU from outside. Under European Council Regulation 3295/94, the Customs Authorities have the right to seize suspected infringing products at the border providing certain conditions are fulfilled :

- An application has been made by the rights holder
- An infringement is suspected
- Customs procedures have been followed.

The rights holder is the person holding a trademark, a patent, a copyright or design right.

On receiving the application including the necessary information and relevant fee, the authorities will work with the rights holder to assess the application and, if accepted, will advise customs officers to look out for the infringing products. The suspect products will then be detained pending a substantive decision about seizure. This decision should be made within 10 working days (max. 20) after the detention of the goods.

⁹ The guidelines *Fighting Product and Trade Mark Piracy* by Fachverband Werkzeugindustrie e.V. can be ordered from www.werkzeug.org (available in English and German).

We strongly encourage companies to file an application for customs intervention, as this is in practice essential if custom authorities are to intervene.

Application forms and supplementary information like the procedures to follow, addresses of central offices in EU member states and much more are available from the web site of the Central Bureau of Industrial Property Rights: www.grenzbeschlagnahme.de.

7. INDIRECT / POLITICAL ACTION

7.1 The importance of political action

While it is important that rightsholders take the actions described above to protect themselves and their products from abuse by counterfeiters, even the most successful actions are only firefighting. In order to make a long lasting impact on the ability of counterfeiters to operate and enter the supply chain it is necessary to harness the power of the European Union as one of the world's largest trading blocks to support our case.

7.2 Contributing to the Orgalime database

The counterfeiting problems of the European engineering industry will only be taken seriously if we can demonstrate the scale of the problem and can provide the necessary data for EU officials to use during trade negotiations with third countries which allow counterfeiters to operate within their jurisdiction. It is therefore important that we establish a database to provide as much relevant information as possible. The information provided by this database could also be of great use for companies of the same sectors. Companies are therefore encouraged to contribute to this database, details of which may be obtained from your trade association¹⁰ or directly from Orgalime (www.orgalime.org).

7.3 EC database

At a more general level, there is a EC market access data base. This market access database is interactive, and provides companies with an easy possibility to inform policy makers about problems faced in third market. With the help of the information on trade barriers, the EU can tackle these on a multilateral or bilateral basis. The EC market access data base is accessible via: <http://mkaccdb.eu.int/>

¹⁰ See enclosed list at Annex.

8. RAISING PUBLIC AWARENESS

It is vital that the public understands that fake-engineered products carry with them a real safety hazard not just the prospect of disappointing performance.

From counterfeit spare parts for aircraft engines to gas valves, from tools to electrical accessories, fakes can be fatal. To achieve the right level of awareness it is essential that industry actively promotes the diffusion of information about counterfeit products.

9. SUCCESS STORIES

9.1 OPERATION ELECTRIC DRAGON

The operation code name Electric Dragon is an example of the benefits which can be obtained when cooperative action is taken. The companies involved in the project included both large multinationals and SMEs.

1. The Problem - Over a period of two years, it became apparent to a number of companies that electrical accessories and circuit breaker products bearing their brand names and copying their designs, but not of their production, were circulating in a number of overseas markets. Several of these companies took action in their own right against both the sellers and the producers of these products, but it became clear that the practice was already widespread and was growing. Indeed, it was noted from raids on factories that counterfeiters were willing to and in fact did produce a whole range of copy products bearing the trade marks of any of the leading brand owners, but as the raiders held only one set of warrants most of the counterfeit stock seen had to be left untouched.

2. The Reaction - A proposal was then developed within The Electrical Installation Equipment Manufacturers' Association (EIEMA) for a joint operation against Chinese counterfeiters of EIEMA members' products, and Electric Dragon was born. Eight companies participated in the project sharing the costs of employing a professional investigator and the subsequent legal and logistical costs. It was also hoped to share the benefit of increased effectiveness.

3. The Operation – The investigators started by scrutinising the activities of traders in the UAE to try to identify those willing to supply fake goods and, through them, trace the supply chain back to the illegal factories in China. In addition, investigative work was carried out at the "Chinese Export Commodities Fair" held in Guangzhou twice yearly, and commonly known as the Canton Fair. The Fair attracts over 7000 stands and about 100,000 visitors from 175 countries. From these activities, 25 target factories in the Wenzhou area were selected for on-site investigation and, of these, 20 were considered as capable of manufacturing counterfeits.

4. The Raids - With the co-operation of officers from the local TSB (State Bureau of Technical Supervision) 17 factories were raided over a period of three days mainly at night and at the weekend. These factories were by their nature clandestine and often protected by armed gangs, and it was necessary to organise, brief and transport to the site large numbers of officials. The Chinese Authorities were helpful, cooperative and efficient in both producing the necessary warrants and carrying out the raids. The factories raided varied in size and sophistication but all fell well below the standards of health and safety required. The products seized were generally of a sub-standard quality; indeed, many of the fake so-called circuit breakers were in fact simple switches.

5. The Results - Over 500,000 counterfeit products were identified and most of them were seized. In addition, 25 templates and 4 printing plates were destroyed as well as a number of moulds, some of which were broken on site. It was estimated that the total production capacity of the factories raided was 1,850,000 switchgear components and 1,500,000 accessories per month, and that this capacity has been seriously hindered.

To date, 7 companies have been convicted and fines ranging from RMB 250,000 to RMB 25,000 imposed. Over 380,000 of the seized products have been destroyed, together with 20 moulds. Action is continuing against the remaining companies whose owners have not yet been found or have appealed. Follow-up visits have indicated that none of the raided factories is at present producing.

6. Next Steps - Electric Dragon 2 is now underway and, armed with the lessons learnt from phase 1, an even more successful outcome is expected.

9.2 COMBATING SEVEN DIFFERENT COUNTERFEITS OF A PRESSURE COOKER

This operation is an example of a company's firm response to counterfeiting, in cooperation with national associations and foreign local authorities.

1. The Problem - A French company, manufacturer of pressure cookers, discovered counterfeits of its most successful products on several markets (Turkey, Lebanon, Saudi Arabia, Greece, Netherlands...). The company discovered that the products were exhibited at the Hiwu and Guangzhou Fairs in China. Large advertisements for these counterfeits were displayed at the entrance of one of these fairs.

The fakes were counterfeits of both registered designs and patents, and also of the trademarks.

2. The Strategy - The company, member of the FIM (Fédération des Industries Mécaniques) and of the French Anti-Counterfeiting Manufacturers' Association, first asked the office of the latter association in China how to proceed and learn about local authorities and legislation. In China, two authorities are mainly responsible for legal proceedings against counterfeiters :

- the Administrative Authority for Patent Affairs (APA), which deals with patents and design patents
- the Administration of Industry and Commerce (AIC), for trade marks.

At the main fairs, there is an Office of State Administration.

The company organised its strategy based mainly on an intervention at the Guangzhou Fair.

3. The Operation - On the first day of the Fair, the exhibitors' products were scrutinised; as a result, counterfeit products were found on 10 of 12 booths. Contact was made with officials at the fair, to ask for their intervention. The attestations of property rights were of course produced (patents, design patents, trade marks). After a discussion, the authority agreed to delegate a bailiff, who went with the company's representatives to the booths and undertook several seizures, removing counterfeits (ie seizure of goods, and not just a bailiff's report).

4. The Legal Follow-up and its Results - The company then started legal proceedings with the APA but, before the hearing, succeeded in signing a compromise with the companies concerned, by which they undertook to stop manufacturing the counterfeits.

At the APA hearing, the judge officially approved the arrangement confirming the seizure and the suspension of the manufacture of counterfeits. (The APA is not, in most cases, allowed to attribute financial compensation to the plaintiff but, in another case, a company obtained 8000 Yuan in compensation).

5. Observations

- Several proceedings were started, some with the AIC administration. The result was the seizure of many counterfeit products, of which the moulds were broken.
- The main difficulty consists in finding the location of the factories because, firstly, the exhibitors at the fairs are generally only traders and dealers and, secondly, some manufacturers are only subcontractors. It was found that the counterfeiter's factories were established in the Zhejiang area (200 km south of Shanghai).
- Such actions can only be successful in cases of completely slavish imitation, and will not succeed if there are differences, even slight, between the original and the copy.

9.3 COMBATING COUNTERFEITS AND PROTECTING PRODUCT SAFETY

1. The problem - Strix, a manufacturer of controls and cordless interfaces for kettles, jugs and a wide range of water boiling appliances, suffers from - and aggressively tackles - intellectual property infringements, and also acts to protect product safety. Chinese copies of Strix products are close imitations, but most are marked with the Chinese manufacturer's name. The manufacturers are unable to meet the technical, performance, quality and safety requirements for a safety-critical product. Strix actions target the dangerous nature of electric kettles fitted with copy components. This approach has several advantages, in particular speed. When a market surveillance body understands the consumer risk, it can instigate a product recall at the importer's expense. Once a retailer understands the problem, he can act immediately. This is therefore a cost-effective solution, avoiding expensive litigation.

2. The solution - There is no standard solution; the solution will vary depending on the country, case and product. The fundamental basis for action is International Safety Standards. Variables influencing success include local laws, the level of corruption, the individual's attitudes and prejudices, market surveillance budgets, standards interpretation, consumer disposable income, and the supply chain reputation.

3. The process

- Attack the source. Once the products are exported, problems are multiplied. Actions are based on local standards and enforcement through local government.
- Address the consequences. Depending on the receiving country, this may involve enforcing import legislation, market surveillance and local standards, informing the supply chain and advising the consumer.
- Develop alliances (eg government departments, trade associations, consumer organisations, bona fide competitors, and reputable traders, manufacturers, distributors, wholesalers and retailers).

4. The results : 2001

China - VDE (the Germany's leading Test and Certification Institute for Electrotechnical Products) and Strix conducted a seminar at Chinese test centres, highlighting major weaknesses. The Chinese State Administration for Entry and Exit Inspection and Quarantine (AQSIQ) undertook investigations into manufacturers of unsafe kettles and other appliances, preventing their export. AQSIQ visited Europe with a delegation headed by its Vice Minister. A

European delegation, headed by DG Enterprise, visited China to enhance cooperation between Europe and the Chinese import and export control authorities.

Czech Republic - Unsafe electric kettles are now the subject of a government-funded investigation. This follows the removal of 15 different brands from major supermarket chains. Carrefour have removed Beam kettles from their stores.

Russia - Electric kettles are the subject of an investigation. 320 test and certification centres are alerted to kettles fitted with counterfeit controls. SPROS (the Russian consumer magazine) compared the performance of kettles fitted with genuine and counterfeit controls.

The Netherlands - The Inspectorate for Health Protection and Veterinary Public Health banned Tristar electric kettles by issuing a Safeguard Clause under the Low Voltage Directive. However the importer has replaced the dangerous kettle with a slightly modified version which also fails safety standards, and the Dutch authorities are allowing its sale.

Belgium - Kruidvat stores stopped the sale of Tristar kettles. These had replaced kettles involved in the Safeguard Clause issued by The Netherlands, which had allowed their sale despite non-compliance. The Netherlands apparently feared legal action from the importer. These kettles are unsafe and infringe Strix IPR.

UK - Tesco issued instructions to all its stores not to source electric kettles fitted with counterfeit controls. Trading standards officers removed 24-volt kettles imported via Holland after a user was burned. These kettles were fitted with counterfeit Strix controls. Copies of a Kenwood kettle fitted with counterfeit controls were detected at Felixstowe docks and returned to China.

Malaysia - The production of Elba and Sanyo kettles fitted with counterfeit controls was stopped. 7 different brands were proven to be unsafe and should be withdrawn.

Hungary - Katomo kettles were removed from sale in Metro stores.

Poland - Eldom and Domix kettles are under government investigation.

10. ANNEX

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OTHER ASSOCIATIONS GIVING ADVICE AND/OR SUPPORT TO COMPANIES

A list of other associations giving advice and/or support to companies is available on the Orgalime Website: www.orgalime.org.

11. LITERATURE

I. Anti Counterfeiting Guides and Directories

Fachverband Werkzeugindustrie, *Fighting Product and Trade Mark Piracy*.

These guidelines can be ordered from www.werkzeug.org (available in English and German).

ICC Counterfeiting Intelligence Bureau, *The International Anti-Counterfeiting Directory 2001*.

This directory can be ordered from E-mail: ccs@icc-ccs.org – Website: www.icc-ccs.org.

ICC Counterfeiting Intelligence Bureau, *Anti-Counterfeiting Technology – A Guide to Protecting and Authenticating Products and Documents*. ICC Publication No 630. ISBN 92.842.1293.6.

This guide can be ordered from email: ccs@icc-ccs.org – Website: www.icc-ccs.org.

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This guide can be ordered from email: ccs@icc-ccs.org – Website: www.icc-ccs.org.

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