



The Global Legal Network
Celebrating 40 Years

COMBATTING COUNTERFEIT & GRAY MARKET SALES

October 7, 2020

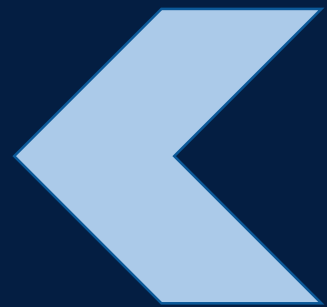
PRESENTERS



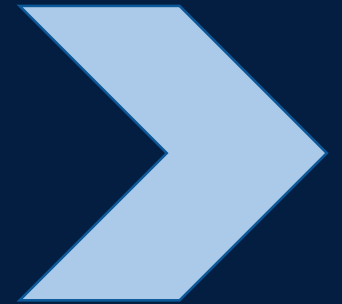
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GRAY MARKET

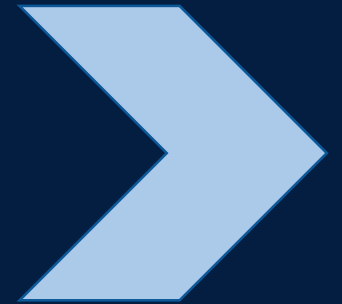


GRAY MARKET DEFINED

- Goods manufactured per authority of US mark-holder but intended for sale in markets *outside* US
 - *Not counterfeit*
 - *Not illegal black market goods*
- Bear lawful mark of manufacturer and can be legitimately sold abroad
- Can also be sold legally in US so long as they are “genuine”
 - *But not genuine if “materially different”*



MATERIALLY DIFFERENT



MATERIALLY DIFFERENT DEFINED

- Any difference consumers would likely consider in making purchasing decision
- Differences can be physical or non-physical
- Threshold of materiality is low
- Examples...

DEFACEMENT OF PACKAGING

STANDARD PACKAGE
IVORY

DENTSPLY

IRM®

**Intermediate
Restorative Material**

Material de restauración intermedio
Matériau de restauration intermédiaire
Temporäres Füllungsmaterial
Materiale per restauro provvisorio

ALTERNATIONS TO PACKAGING OR LABELING

- Outside original packaging
- No directions for use



Thank you.

NON-PHYSICAL DIFFERENCES

- Warranty protection
- Service commitments
- Add-ons
- Bonus features
- Removal of product codes

RISKS OF GRAY MARKET PRODUCTS

- Harm goodwill and brand image
- Reap benefits of expensive marketing & ad campaigns without costs
- Unanticipated/unfair competition for exclusive, authorized distributors
- Consumer confusion and disappointment – consumer does not get same product TM owner authorized for sale in the U.S.
- Undercuts twin goals of Lanham Act (prevent consumer confusion; protect goodwill)

NO MANUFACTURERS WARRANTY

Manufacturers often don't guarantee product purchased from gray market suppliers.

PROMOTIONS DON'T APPLY

Manufacturers may not honor promotions on products purchased from gray market suppliers.

INCONSISTENT SUPPLY

The gray market supply chain is very unpredictable and subject to frequent out-of-stocks.

LIABILITY RISK

The buyer is solely liable if products fail to perform and result in patient claims.

NO REGULATORY COMPLIANCE

Some gray market products are not registered with the FDA for sale in the U.S. How would you know?

MISHANDLED PRODUCTS

Who knows how many hands the product has passed through or under what conditions? Product is often sold out of its original packaging.



THINK TWICE BEFORE BUYING GRAY

EXHIBIT
I-9
tablets

COUNTERFEIT RISK

Counterfeit product is prevalent. Many times it's very difficult to detect, until it's too late.

QUESTIONABLE ORIGIN

There's no way to know for certain where gray market product originates.

LACK OF TRACEABILITY

There is no clear chain of custody. If a manufacturer recall were to occur, you would not be notified.

PATIENT HEALTH & SAFETY

Why risk patient safety and practice reputation by purchasing gray market dental products?



GRAY MARKET MITIGATION EFFORTS



GRAY MARKET MITIGATION EFFORTS

- Contractually or otherwise require material differences in goods licensed for sale outside the United States, e.g.,
 - *different package color*
 - *different size/quantity*
 - *label “not intended for sale in the United States”*

GRAY MARKET MITIGATION EFFORTS

- Screen prospective channel partners b/4 entering into agreements.
- Ensure that distribution and licensing agreements have safeguards to enforce compliance with procedures, e.g.:
 - a) partners to maintain sales documentation*
 - b) right to audit books and records*
 - c) mandatory reporting of suspected gray goods, and*
 - d) penalties (+ termination) and incentives RE gray market procedures*

GRAY MARKET MITIGATION EFFORTS

- Conduct market surveillance program
- Use “secret shoppers” to purchase product from suspected gray dealers to investigate sources and material differences
- Coordinate with legal counsel to ensure usability of evidence in litigation

GRAY MARKET MITIGATION EFFORTS

- Designate point person to monitor gray market issues and respond to questions and reports of same
- Apply source code on each foreign-intended product that identifies the international point of first receipt
- Engage in source reduction activities

GRAY MARKET MITIGATION EFFORTS: LEGAL

- Formulate
 - Formulate offensive legal strategy
- Prioritize
 - Prioritize gray market dealers depending on size, volume, location, or structure
- Acknowledge
 - Pursuing internet marketplace will require proof of contributory infringement

GRAY MARKET MITIGATION EFFORTS: LEGAL TOOLS

Cease and desist
letters

Non-monetary
settlements that
permanently bar
particular dealer from
gray
sales/distribution

Litigation

GRAY MARKET MITIGATION EFFORTS: LITIGATION

- Several potential causes of action under both federal and state law
- Sue only after substantial evidence amassed of materially different goods sold
- Consumer confusion presumed, but evidence helpful at outset (and to respond to rebuttal evidence by defendant)
- Consider motion for preliminary injunction with complaint

POTENTIAL CAUSES OF ACTION AGAINST GRAY MARKET SELLERS: MAJOR STATUTORY BASES FOR RELIEF

- Trademark infringement and unfair competition claims under Sections 32 (covering registered marks) and 43(a) (covering unregistered marks) of the Lanham Act
- Prohibition on importing goods with infringing trademarks under Section 42 of the Lanham Act
- Section 526 of the Tariff Act (19 U.S.C. § 1526(a))
- Copyright remedies...

LIMITATIONS ON COPYRIGHT REMEDIES

- There are some limits on effectiveness of copyright remedies in gray market situations
- *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013)
 - Copyright first sale doctrine applies to copies of copyrighted works lawfully made abroad, preventing copyright owners from relying on Section 602(a) of Copyright Act to limit flow of gray market goods manufactured abroad involving copyrighted works or aspects of goods that are copyrightable
- *HOWEVER, first sale doctrine does not apply to leases or licenses. In addition, ownership of copyrights can be divided territorially*

POP UP QUESTION

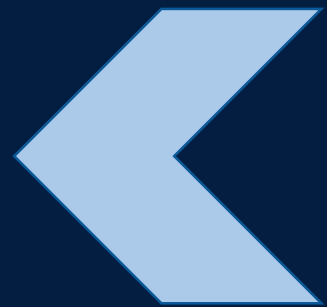
- The first sale doctrine does not apply to gray market goods that are “materially different” from authentic, U.S. authorized products. Which of the following differences would NOT be considered “material” in determining whether gray market product can be lawfully sold in the U.S.?
 - A. Sold in different packaging than the original
 - B. Sold without manufacturer’s instructions and directions
 - C. Different price from original
 - D. Different warranty protection from original

COMBATTING COUNTERFEIT PRODUCT SALES

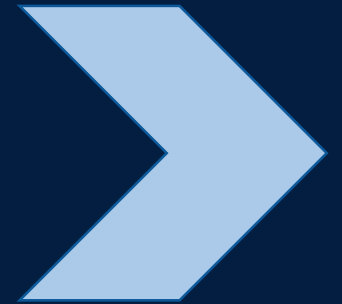


COUNTERFEIT VS. KNOCKOFF

Counterfeits	Knockoffs
Copy the brand's labels or trademark symbols	Have not exactly copied the design, logo, or trademark
Are "virtually identical" to the original product	Only resemble the original closely, without infringing



HARM TO BRAND BY COUNTERFEITS



SCOPE OF PROBLEM

- Counterfeit goods, software piracy, and theft of trade secrets cost American economy as much as \$600 billion per year, according to Commission on the Theft of American Intellectual Property.
- Counterfeit goods cost the US \$29 billion to \$41 billion annually.
- China accounts for 87% of counterfeit goods seized entering US.

MULTI-FACETED APPROACH TO COMBAT COUNTERFEIT

- Controls on supply chain with tracking
- Person or team dedicated to brand protection
- Third-party service providers for monitoring/take-downs
- Regular customs training
- Relationships with online sales platforms (Amazon, Ebay)
- Strategic litigation
- Buy-in from board/executives (measure ROI)



CONTROLS ON SUPPLY CHAIN

TRACK & TRACE LABELS

Format Forensics

VB#3177-TT_COO_label_V3.1

- 20mm x 86mm Slit Edge Recycled Satin
- Start Date - 12 November, 2017
- End Date – Current Label in Production

Highlights: Increased label length to 86mm to accommodate 5mm more sew allowance (top and bottom)

Reference Slides 3 through 10

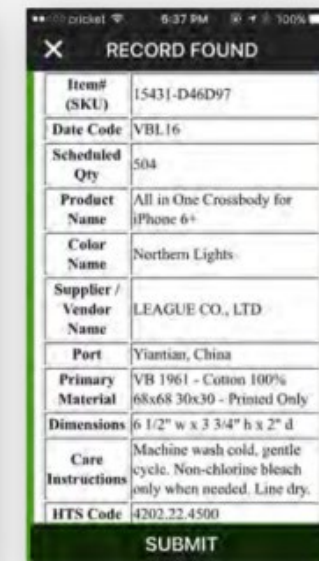
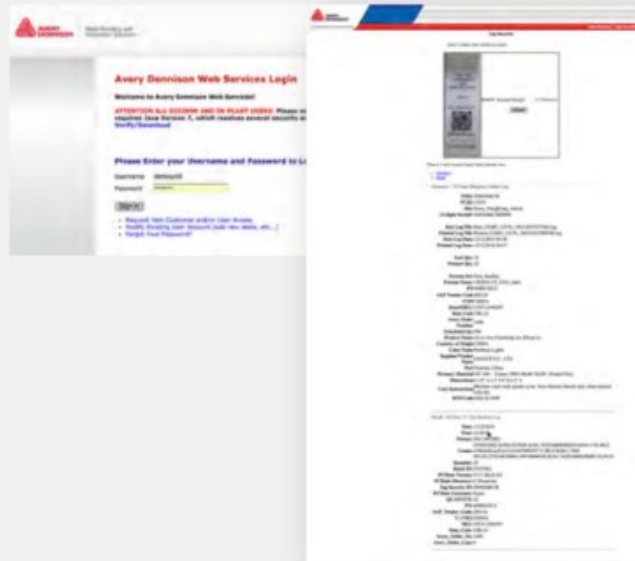
Utilizes Format Forensics

① ② ③ ④ ⑤ ⑥



WEB AND PHONE APPLICATION TO VALIDATE

Use Tag Security website or AD Certify™ mobile app to validate serial number and associated data



Tag Security website or Mobile App Returns Associated Data Found in the Tag Security Database

Search 3:42 PM 100%

RECORD FOUND

Serial Number
3Z7D95SX00328

Response

PLEASE CONFIRM DATA MATCHES RECORD FOUND

Serial Number	3Z7D95SX00328
Format Name	VB2852-TT_COO_label
PO	4600020874
SAP Vendor Code	104479
COO	CHINA
Item# (SKU)	15709-G55
Date Code	VBK16
Scheduled Qty	540
Product Name	Lunch Bunch

SUBMIT



Search 3:42 PM 100%

RECORD FOUND

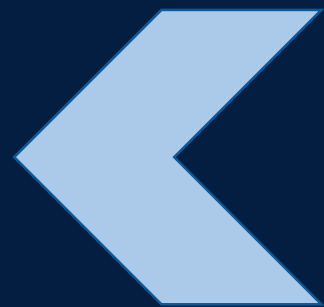
Color Name	Rain Forest
Supplier / Vendor Name	FANGS BAG MFG CO LTD
Port	Yiantian, China
Primary Material	VB 1961 - Cotton 100% 68x68 30x30 - Printed Only
Dimensions	7 1/2" w x 9" h x 4 1/4" d
Care Instructions	Machine wash cold, gentle cycle. Use only non-chlorine bleach as needed, line dry.
HTS Code	4202.92.0805

Other Details

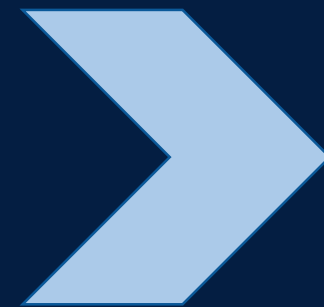
Capture Photo A

SUBMIT



BRAND PROTECTION



BRAND PROTECTION

- Dedicated Team or Person Essential



 BEACHBODY®
Anti-Piracy Team

Toll-free Customs/Law Enforcement Hotline:

(855) 56-BEACH

Enforcement@Beachbody.com

Call or text questions/images 24/7

USE OF THIRD PARTY SERVICES

Services Offered by Third Parties

- Online Brand Protection
- Investigative
- Labels and Other Security Measures

Security Labels/Measures

- Avery Dennison
- Amazon Transparency

Online Brand Protection

- Pointer Brand Protection
- Red Points
- Yellow Brand Protection
- Mark Monitor
- Incorpro

Investigative

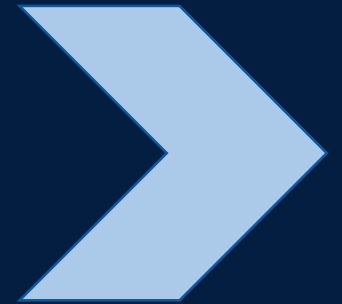
- K2 Intelligence
- Pointer Brand Protection

AUGUST 2019 REPORT

- 4,807 listings (by 36 unique sellers) reported & removed on all monitored marketplaces
- eBay US = most infringing platform
- ROI nearly \$60K
- 98% counterfeit
- 2% copyright infringement



TRAINING TO CUSTOMS



TRAINING TO CUSTOMS

- Visit offices with most seizures annually
- Establish relationship
- Make spotting fakes easy for them
- Resource intensive but ...
- Effective





BEACHBODY

- Authentic Beachbody DVD kits are generally only shipped by sea and in 20 ft. or 40 ft. containers.
- Counterfeit Beachbody DVD kits are usually sent via air courier (e.g. FedEx, DHL, UPS, etc.) or via postal mail.
- The only ports that receive shipments of authentic Beachbody DVD kits from China are:
 1. Long Beach, California
 2. Oakland, California
- The only importer of record for authentic Beachbody products from China will be Beachbody, LLC.
- The only shippers of record of genuine Beachbody DVD kits would be one of the following:
 1. Innovage, LLC (Guangzhou, China)
 2. Liss Global, Inc. (Shenzhen, China)
 3. Permanent Printing, Co., Ltd. (Hong Kong), or
 4. Beachbody, LLC (Santa Monica, California)
- Genuine Beachbody product is not available in the U.S. stores, and can only be purchased from Beachbody's official website (www.beachbody.com), Beachbody's Customer Service Call Center, Beachbody's Amazon storefront, and Beachbody's Independent "Coach" Distributors.



Common Indicators of Counterfeit INSANITY® Products

SHRINK-WRAPPED



COUNTERFEIT



AUTHENTIC



BEACHBODY

- Counterfeit outer box is shrink-wrapped, authentic outer box is NEVER shrink-wrapped.
- Counterfeit outer box is smaller than authentic outer box; authentic box dimensions are 10.75" x 7.25" x 4.25".



Common Indicators of Counterfeit P90X® Products



COUNTERFEIT



AUTHENTIC

- Counterfeit outer box is shrink-wrapped, authentic outer box is NEVER shrink-wrapped.
- Counterfeit outer box is smaller than authentic outer box, authentic box dimensions are 10.75" x 7.25" x 4.25".
- Counterfeit outer packaging is missing the P90X logo on the front flap.



COUNTERFEIT



AUTHENTIC

- Authentic P90X® discs are NEVER individually wrapped in plastic baggies.



COUNTERFEIT



AUTHENTIC

- Counterfeit packaging uses pouches (above left), authentic packaging uses spindle holders (above right) to hold DVDs.



COUNTERFEIT

AUTHENTIC

- Authentic INSANITY® discs are NEVER individually wrapped in plastic baggies.



COUNTERFEIT

AUTHENTIC

- Counterfeit booklet uses stitch binding, authentic booklet NEVER uses stitch binding.
- Counterfeit book pages are made from foam material, authentic book pages are made from thick paper material.

TRAINING TO CUSTOMS

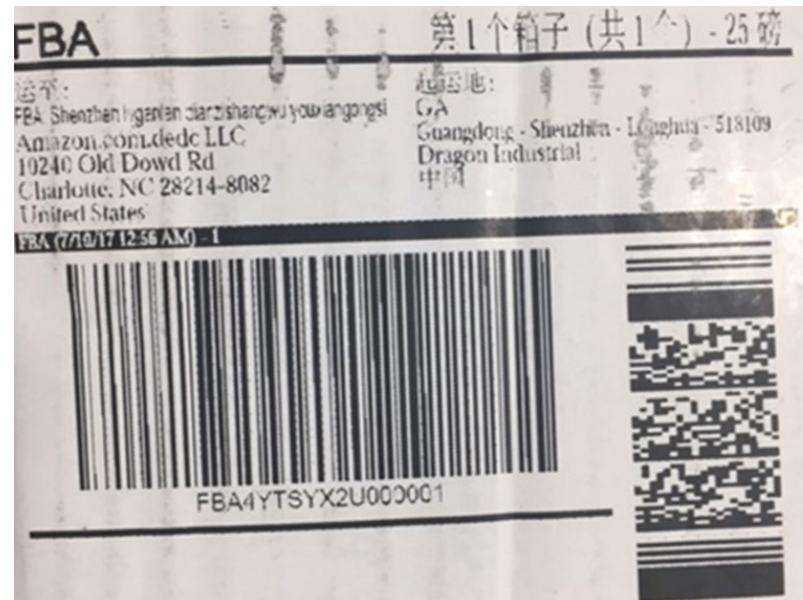
- Map of origin ports
- US ports of entry
- Delivery locations
- Products exported from non-approved supplier, or imported to N/A location = likely counterfeit
- Reference Recordation or Vera Bradley Approved Factory Listing
- TMs currently recorded
- Ports of seizure (including volume)



Vera Bradley

TRAINING TO CUSTOMS

- Unique situation with Amazon
- Products sold to Amazon shipped from Roanoke, IN
- FBA labels ID seller



Vera Bradley

TRAINING TO CUSTOMS

- Authentic



- Counterfeit



- Font size for “AUTHENTIC•ORIGINAL” different
- Counterfeit is gray in color



Vera Bradley

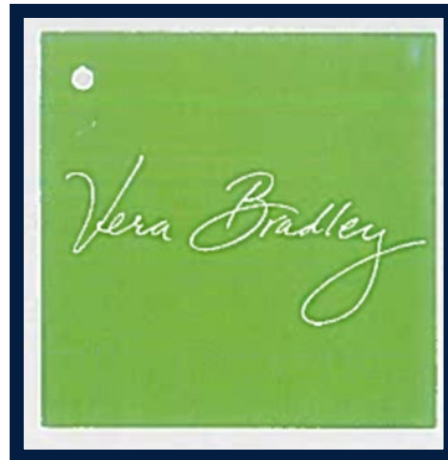


TRAINING TO CUSTOMS

- Authentic



- Counterfeit



- “y” cut shorter in counterfeit



COOPERATION/RELATIONSHIPS WITH ONLINE SALES PLATFORMS



STRATEGIC LITIGATION

- Data collection & organization
- Claim for damages
- Co-party with Amazon, Ebay

LITIGATION: CAUSES OF ACTION

- Infringement of a registered mark under Section 32(1) of Lanham Act (15 U.S.C. § 1114(1))
- Unfair competition under Section 43(a) of Lanham Act (15 U.S.C. § 1125(a))
- Trademark dilution under Section 43(c) of Lanham Act (15 U.S.C. § 1125(c))
- State law claims for trademark infringement, unfair competition, and dilution
- Potential claims under U.S. Copyright Act, particularly where defendant's goods copy plaintiff's package inserts or other copyrightable content included with or on product

POTENTIAL DEFENDANTS

Brand owners can often extend liability to 3rd parties who facilitate sale of counterfeits:

Suppliers of parts

Flea-market owners and the like

Landlords of buildings

Internet marketplace sites

Theory of contributory trademark infringement may help reach parties where claims for direct infringement not available.

BOARD/C SUITE BUY-IN

- Measure
 - Measure ROI: Recoveries will eventually justify department
- Discover
 - Discover listings/\$ in sales from eBay, Amazon – mind blowing
- Highlight
 - Highlight successes
- Sell
 - Sell effort regularly

TAKE-AWAYS

- Controls on supply chain with tracking
- Person or team dedicated to brand protection
- Third-party service providers for monitoring/take-downs
- Regular customs training
- Relationships with online sales platforms (Amazon, Ebay)
- Strategic litigation
- Buy-in from board/executives (measure ROI)

POP UP QUESTION

- Which of the following remedies are available under U.S. law in an action against a defendant for selling goods bearing a counterfeit trademark?
 - A. Temporary restraining order
 - B. Ex parte seizure order for the goods without prior notice to the defendant
 - C. Monetary damages in the form of defendant's profits, any actual damages and costs of the action
 - D. All of the above

THANK YOU! IF YOU HAVE ANY QUESTIONS,
PLEASE CONTACT ONE OF THE PRESENTERS



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