

Flattery will get you nowhere: Fighting back against design theft

By Heiko Haasler

They say that imitation is the sincerest form of flattery, but brand owners around the world are in danger of being flattered to death by the activities of those who produce, sell (and buy) copycat versions of their successful products. Whilst counterfeits are generally seen as a “bad thing” by governments and judiciary, legal thinking on copycats and look-alikes is not so clear cut.

‘Copycats’, ‘look-alikes’, and ‘me-toos’ sound so much more innocuous than forgeries, counterfeits and fakes but, as every brand owner knows, they can be just as damaging to the bottom line. Not only do they steal potential customers but they undermine the brand value of the real thing by cheapening its image, removing control over the distribution of original product designs, reducing the return on the investment involved in creating those designs, and stealing the revenue needed for future development. But, whilst making a mockery of brand owners, copycat products don’t necessarily fool consumers and this, in the eyes of some legal interpreters, makes them “OK”. A brief review of some cases from around the world shows that it is not just in emerging markets that authorities take an ambivalent view of intellectual property rights.

Legal Vacillations in the UK

Despite strenuous lobbying by trade bodies such as ACID and individual brand owners, the UK Government remains distinctly ambivalent about how (or even whether) to strengthen measures to counter copycatting and recent decisions in court have offered little comfort to brand owners either.

Whilst debating the impact of copycat products upon legitimate producers, Dr Kim Howells (the former UK Minister for Competition and Consumer Affairs) indicated that the Government saw brands as a useful tool for consumers to identify the quality and origin of goods and he emphasised the threat of fake goods to consumers and brand owners. However, he also highlighted the role of brands in promoting trade in the market place and resisted the view that – regardless of the quality of the lookalike product – copycats stifle innovation and reduce opportunities for investment. According to Dr Howells: ‘Emulating products and their packaging sometimes promotes healthy competition’ and that: ‘The Government are not convinced of the need for a change in the law to extend brand owners’ rights against those who sell products in so-called look-alike packaging’. He concluded that brand owners were not taking full advantage of legal remedies already available to them, such as the new provisions introduced by the Trade Marks Act 1994. However, when pressed on the difficulty of winning such cases (by proving that confusion has been caused by the lookalike) he conceded that he didn’t believe that many consumers bought copycat products accidentally or out of confusion. The Government’s position was that brand owners should not be over-protected, that companies should trade in an arena of ‘fierce open competition’ governed by rules that are fair to all and that (whilst he would remain vigilant) he believed that the existing rules in the UK were fair.

“When is a Trademark not a Trademark?” – “When it is Badge of Loyalty” says British Judge!

Brand owners could be forgiven for not sharing Dr Howell's confidence that they are on a level playing field. A recent case, brought by Arsenal Football Club (AFC) sent shock waves round the trademark owning community. In the case, Arsenal attempted to prevent un-authorized merchandise from being sold near its ground. The case revolved around the activities of Matthew Reed – a self-professed Arsenal fan - who for many years had sold "unofficial" club memorabilia and merchandise from a front-garden stall on private property near to Arsenal's Highbury stadium. AFC tried to sue first on the grounds of "passing off" and then on trademark infringement. However, Justice Laddie took the view that AFC's crest and logo were being used as badges of support, loyalty and affiliation rather than as trademarks – that is, they were not being used to indicate the origin of the goods. The case now awaits a final decision, because judgement will depend on the outcome of a similar case referred to the European Court of Justice in 1999. The owners of sport or entertainment intellectual property face an anxious wait for the outcome, which could shield future offenders from the real objection to this type of activity – that trademarks are being used to give commercial value to unauthorised products. In the meantime, it may even encourage traders offering 'unofficial' merchandise to use even more registered trademarks of pop bands and sports clubs with impunity.

US Trademark Law Offers Less Protection for Designs

A recent US case involving the retail giant, Wal-Mart, seems to have succeeded in defeating an anti-copycatting action and in shifting the balance of US trademark laws a little further away from rights' owners. The case involved blatant copycatting by Wal-Mart of a range of children's clothes produced by Samara Brothers Inc. The range had been marketed through various competitors to Wal-Mart, who responded by contracting a supplier to manufacture a similar line of outfits based on photographs of the Samara Brothers' products. Citing the danger of harming legitimate competition, the Supreme Court reversed a \$1.6 million jury verdict in favour of Samara, ruling that (unlike traditional trademarks and elements of trade dress that are inherently distinctive) clothing and other product designs cannot be protected until they have acquired distinctiveness in the minds of consumers. In other words, the design must be so well established that consumers will automatically assume that a product of that design must have been made or licensed by its legitimate originator.

Design Patents Don't Necessarily Offer Protection

The court in the Samara case also noted that alternative protection for truly unique designs is often available from either design patents or copyright law. However, apparel, FMCG and luxury goods rarely involve sufficiently unique elements to make this viable and brand owners in more specialised sectors may also find that patent law fails to offer them a safe haven from copycats. Alarm bells have been ringing over the past twelve months from rulings that could seriously weaken the rights of patent holders – especially for valuable high-tech and pharmaceutical products. In November 2000, the U.S. appeals court in Washington D.C. ruled against a German robotics company called Festo, who had claimed that the patent on one of its products had been infringed by a competitor's similar product, which had eliminated one component and used a different material for another part. The ruling overturns a principle called the 'doctrine of equivalents' that has applied since the 1950s and prevents competitors getting round patents by just slightly altering the invention. The new ruling limited many patents' enforceability to the precise wording that describes them. In other words if a patented design specified components made of steel, a competitor would be free to produce a similar product if the components concerned were made of a different metal instead. Festo intends to appeal the case in the Supreme Court but in the meantime the ruling is already being used to overturn patent actions

and could leave a great many brand owners unable to protect and recoup their investments in creating unique products and designs.

Managing the Risk to Brand Assets – Look Within

Brands are multi-million pound assets and like other forms of intellectual property theft (such as counterfeiting and parallel importing), the problem of copycatting needs to be tackled not just by reactive litigation but also by a proactive, preventative approach. Most opportunities for copycatting arise within a brand owner's own supply chain, when companies entrusted with commercially sensitive information attempt to make extra profit at the brand owner's expense. This can over-expose, cheapen and destroy the image of the genuine brand – especially in the case of more exclusive, high-fashion designs. Intellectual property rights are at ever-increasing risk from the globalisation of production and supply chains and those right's owners that fall on the mercy of the courts for protection don't always get a soft landing. Brand owners have to work harder and smarter than ever before to build and protect their assets. The message is clear: imitation has never been about flattery – it is ruthless competition and if you don't fight back, the copycats will suck your brands dry and then move onto the next easy target.

Heiko Haasler is the Marketing Director at De La Rue – Brand Protection.