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Guidelines for the battle against counterfeiting

For the past seven years I have spent at least a month during alternate summers in Florence, Italy, teaching international intellectual property law and observing firsthand local efforts to enforce trademark owners' rights against the burgeoning "black market" in counterfeit luxury goods. The good news this summer is that, at least in certain venues, and at certain times of the day, counterfeit goods are becoming harder for the tourist to find. Even better, some of the techniques authorities employ to achieve this result may be readily transferable to enforcement efforts in other countries. The bad news is that many of these techniques depend heavily on the willpower of local governments to expend manpower to combat the underground market in counterfeit goods. While Florence provides some useful guidelines for helping to create such willpower, without the same confluence of events, these guidelines may not be sufficient in all countries. But in the constant battle against global counterfeiting, they at least provide a hopeful place to start.

In 2005, when I first began observing the counterfeit market in Florence, it was a booming business. You could not walk from the Uffizi Museum to the Ponte Vecchio (two sites that attract large numbers of tourists) without stumbling over street vendors selling a wide variety of counterfeit purses, scarves, watches and sunglasses from blankets laid out virtually end to end along the sidewalk. Prices were low and business was, unfortunately, brisk. Notably, while I observed this brisk trade in counterfeit goods on the ground, Italy was simultaneously revising its laws to provide administrative fines for consumers who purchased counterfeit goods.

In the Decree of May 15, 2005 (often referred to as "Legge 80/20"), the Italian Parliament established administrative fines of up to 10,000 euros for the purchase by consumers of goods "without previously ascertaining their legitimate origin," where "their quality or the condition of the person offering them for sale or the price" would lead the purchaser to suspect that the goods violated intellectual property laws. In addition to these administrative fines, Article 1(7) also required seizure of the counterfeit goods from the consumer.

By July 2005, Florence was flooded with multilingual brochures warning consumers to "watch what you buy" and advising them of potential administrative fines if they purchased counterfeit goods. Occasional seizures and heavy fines followed in 2006 with a notorious report of



Global IP

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a woman in Florence fined more than 3,000 euros for purchasing counterfeit sunglasses. Yet, despite a governmental report in 2007 (by high commissioner for the Fight Against Counterfeiting) that more than 11,728 administrative fines had been imposed against businesses and consumers throughout Italy for counterfeiting, the reality on the ground was different.

News reports would still appear in English language newspapers about a hapless tourist fined for buying counterfeit goods, yet these instances seemed more bad luck than any part of an organized enforcement policy. Occasional police sweeps through some of the more notorious counterfeit markets in Florence were noteworthy for their timing — always during daylight hours — the spectacle of street vendors running down the streets with their wares bundled on their backs and the relatively rare occurrence of such sweeps.

By 2009, however, enforcement policies had changed and were beginning to have a noticeable effect. The public reminder of the possible harm caused by purchasing counterfeit goods had moved to a new level. Large, metal, multilingual warnings entitled "No Fakes, Thanks" dotted the historic landscape of Florence. Wherever tourists gathered, one of the warning posts seemed nearby. More interestingly, sweeps were occurring with such frequency that certain counterfeit markets, particularly in San Lorenzo and around the Duomo, were disappearing — at least until 6 p.m. — when the night markets sprang up unheeded. I had the unsettling experience of observing vendors setting up their wares in San Lorenzo at 6 p.m. while the police stroled by.

The tenor of the debate had changed.

The Italian fashion industry, including such well-known companies as Prada and Ferragamo, continued to complain about the adverse impact of the black market on their profits. The owners of the legitimate vending carts in open-air markets joined in the complaints. There were increasing warnings from the economic development minister on the criminal aspects attached to such illegal trade. New voices concerning the human rights implications of the pirate market were given prominence in news reports. In Florence, street vendors were increasingly illegal immigrants from African countries earning a hazardous living selling goods whose own production was tied in news reports to factories in foreign lands that employed abusive labor practices. In 2009, Italy also increased the criminal penalties for trademark counterfeiting while simultaneously making the imposition of consumer fines for the purchase of counterfeit products more likely by lowering threshold amounts from 500 to 100 euros.

This summer, the six-year process appears to be paying dividends. Tourists are undoubtedly still buying counterfeit goods. But it is harder to find such goods in the traditional tourist sites. The sidewalks between the Uffizi and the Ponte Vecchio are empty. Street vendors have virtually disappeared from the Duomo and San Lorenzo, even at night. The combination of increased and constant enforcement, supported by demands of local industry for action, stronger law enforcement tools and a constant public education barrage about the harm of counterfeit goods in both economic and human rights terms is a mix that should be reproducible in other areas. It is too soon to tell to what extent the civil fines for the purchase of counterfeit goods has contributed to the positive enforcement developments, but other countries such as France have already adopted such techniques to protect their own local industries.

Of course, as enforcement has continued to evolve, so too have the forces with which they must do battle. Black market vendors are becoming clearly more organized and covert — consolidating into selling networks, with look-outs, runners and cellphone communications between groups, creating a clandestine, highly mobile surveillance system. The opposition appears, not only more organized, but with a tighter chain of command and significantly fewer leaders. Whether such a refined organization ultimately proves easier to combat is, as yet, unclear.