Counterfeit Chic: Society’s Friend or Foe?

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INTRODUCTION

While shopping around Canal Street in New York City, it is impossible to avoid getting hunted down by a demure, elderly woman whispering innocently to random people walking by. However, these whispers are anything but innocent—they are actually secret underground invitations to buy counterfeit products ranging from Chanel purses to Christian Dior face cream, normally valued at $100 in department stores such as Bloomberges and Nordstrom. Due to a massive crackdown on the street sales of counterfeit goods, such goods are no longer sold in stores or street kiosks as they were a few years ago. Instead, counterfeit stores are set up in random apartments or local businesses located further away from the hustle and bustle of New York’s busy streets.

Once these counterfeit madams’ invitations to this underground society are accepted, the women lead their potential customer(s) through what seems to be a maze. Eventually, the group arrives at an inconspicuous apartment building, where the counterfeit madam rings a door bell and provides a secret code. Soon after, a man emerges and signals for everyone to hurry inside while the group’s guide returns to the streets to lure in more customers. After climbing four flights of stairs and passing through what could be an acupuncture office, there is one final door to enter; one made entirely out of metal. The man leading the group of curious shoppers rings a doorbell, gives another password, and stands aside as the glorious metal door opens in a dramatic fashion.

The customers enter two thousand square feet of counterfeit heaven, while the metal door shuts abruptly behind them. Thousands of counterfeit products, from premium brands like Louis Vuitton, Dior, Prada, Rolex, Coach, and Hermès, sit on shelves as “sales associates” assist customers. There is even a separate room dedicated to beauty products. The situation is awkward, and it feels as though customers are being scanned by the twenty men sitting in elevated lookout posts, like prison guards watching inmates. Once purchases are made, customers are escorted out one at a time, and the counterfeiting cycle continues as the counterfeit madam brings even more potential customers through the metal door.

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In order to understand the threat that counterfeit goods pose to intellectual property rights owners, it is critical to point out the difference between counterfeit goods and knock-offs. Knock-offs, in contrast to illegal counterfeit goods, are products of design piracy. These products are exact replicas of an original designer’s work that are sold under the trademark of the designer copying the original work; whereas, counterfeit goods are exact replicas of an original designer’s work sold under the original designer’s trademark as though they are the original trademarked work, when in fact they are “fakes.”

Today, counterfeit products are not only purchased on Canal Street in New York City or The Alley in Downtown Los Angeles, but from both independent single-vendor websites and vendors that list counterfeit items on e-commerce websites such as eBay or ioffer.com. As the fascination with high-end couture and beauty products continues to be idealized by various media channels like The Rachel Zoe Project, Project Runway, and the Real Housewives series, it is not surprising that international trade in counterfeit and pirated goods has increased to more than $250 billion. This obsession with fabulousness has cost American businesses hundreds of millions of dollars in lost revenues, as consumers turn to counterfeit websites selling $100 Dior face cream for $30, or the ever-lusted-after $10,000 Hermes Birkin bag for $350. In 2012, the Customs and Border Protection Office confiscated $511.2 million worth of counterfeit handbags and wallets, $133 million in counterfeit apparel, $82.9 million worth of pharmaceuticals, and $103.3 million worth of footwear, most of which came from China.

The obsession with beauty and fashion has had a negative impact on these industries as the increased number of counterfeit goods around the globe has robbed original product owners of their intellectual property rights. According to the NPD Group’s annual apparel sales report, Americans purchased $199 billion worth of apparel in 2011 alone. While the fashion and beauty industries bring large amounts of revenue into the global commercial market, the counterfeiting market is undercutting

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massive amounts of potential profits for intellectual property owners of the original products. According to the Department of U.S. Customs and Border Protection Office, there were intellectual property rights seizures with a domestic value of $1.26 billion in 2012.\(^7\) Even though the value of the intellectual property seized increased in 2012 in comparison to the $1.11 billion seized in 2011,\(^8\) as long as counterfeit goods exist in the world-wide market, intellectual property rights owners will continue to suffer losses in their revenues and reputations while the health and safety of consumers will continue to be jeopardized.

Section I of this article provides a brief overview of the daunting effects of counterfeiting on the overall efficiency of the global market. Section II examines the various ways that intellectual property owners are taking back their rights as they take action against the counterfeit epidemic. Section III addresses the extensive difficulty with enforcement of anti-counterfeiting efforts in the United States as well as on a global level, and surveys the effectiveness of several anti-counterfeiting enforcement options.

Section IV analyzes the different strategies legislators can take in order to curtail counterfeiting more efficiently and therefore more permanently. This section concludes that, while intellectual property rights owners currently receive some protection against counterfeiting, without proper international legal enforcement and cooperation, criminals will continue to steal, sell, and free-ride on the innovations of others.

I. EFFECTS OF COUNTERFEITING ON DIFFERENT SECTORS OF SOCIETY

A. IMPACT ON THE GLOBALIZED ECONOMY

Counterfeit goods undermine innovation by dampening entrepreneurship and creativity. They also have serious effects on governments, which not only fund the fight against counterfeiting, but also lose billions of dollars in tax revenue. The manufacturers’ suggested retail price (“MSRP”) of counterfeit goods seized in 2012 is estimated to be $1.26 billion in the United States alone.\(^9\) The numbers indicate that a legitimate vendor loses profits every time a consumer buys a counterfeit good, which in turn has a direct impact on federal and state taxation revenue based on income. However, there is some skepticism regarding the statistics posted by anti-counterfeiting organizations. Not only are these numbers pure estimations, but these organizations also assume that if consumers of counterfeit goods did not purchase the counterfeit goods, they would have purchased a genuine item. This is not always true.

A 2012 MarkMonitor Shopping Report conducted with the help of

\(^7\) U.S. CUSTOMS STATISTICS, supra note 5, at 18.
\(^8\) See id. at 18–19.
\(^9\) Id. at 18.
Nielson, one of the leading providers of information about what consumers watch and buy, revealed that one in five bargain hunters inadvertently end up on sites selling counterfeit merchandise instead of legitimate discounted goods. Surprisingly, these bargain hunters are not intentionally looking to purchase counterfeit goods, and, unlike their counterfeit-purchasing cousins who use search terms such as “counterfeit” and “fake,” they use search terms such as “cheap,” “clearance,” or “discount,” to find the products they want. The report claims that:

While we can’t deny that some shoppers will purchase a counterfeit without compunction, our study of these shoppers indicates that many consumers aren’t even aware that they are buying a counterfeit product instead of the real deal. We found that for every shopper searching for fake goods, 20 other shoppers were seeking bargains—and one in five of those bargain hunters were duped by sites selling counterfeits.

Essentially, purchasers of counterfeit goods include both the counterfeit-seeking fashionistas who cannot afford the $2,300 Céline Luggage Tote handbag without sacrificing rent money and innocent bargain hunters who inadvertently stumble upon counterfeit websites. Consequently, it would be “ill advised to classify a certain set of shopper as an evil underclass. While many of those consumers may be aspirational shoppers who cannot afford the price of these brands today, they could very well represent future buyers.”

1. Criticism of Estimates in the Fight Against Counterfeiting

It is undisputed that counterfeiting is a massive business. The true criticism and mystery is the reliability and accuracy of reported counterfeiting metrics used to justify enforcement. The International Anti-Counterfeiting Coalition (“IACC”) claims that it is estimated that counterfeiting is a $600 billion a year problem, but this estimate is not based on any legitimate research. Perhaps this number resulted from a consolidation of a number of seizure reports from around the globe. In a 2010 report to Congressional Committees, the U.S. Government Accountability Office (“GAO”) found that the “U.S. government estimates of economic losses resulting from counterfeiting cannot be substantiated due to the absence of underlying studies” and “[b]ecause of the significant differences in types of counterfeited and pirated goods and industries involved, no single method can be used to develop estimates. Each method has limitations, and most experts observed that it is difficult, if not impossible, to quantify the economy-wide impacts.” The GAO

11. See id. at 4.
12. Id. at 3.
13. Id. at 11.
15. See U.S. GOVERNMENT ACCOUNTABILITY OFFICE, OBSERVATIONS ON EFFORTS TO
contradicted a commonly cited estimate, which appeared in a 2002 U.S. Customs press release, claiming U.S. businesses and industries lose $200 billion a year in revenue and 750,000 customers due to counterfeiting. However, a Customs official stated to the GAO that these estimates are of “uncertain origin, and have been discredited, and are no longer used by [Customs and Border Protection].”

Another unsubstantiated claim used by the IACC and the U.S. Chamber of Commerce is that “counterfeiting costs U.S. businesses $200 billion to $250 billion annually.” At first glance, this number is shocking and makes business owners and consumers believe that they will be affected by this massive loss. However, the source of this estimate was a 2002 FBI Press Release that could not be traced back to a verified data source or analytical methodology because the FBI was solely relying on what they referred to as “industry statistics” rather than collecting, compiling, and analyzing their own original data. From this report, it is not exactly clear how the FBI’s Intellectual Property Coordination Center (“IPR Center”) accumulated these numbers, as “industry associations do not always disclose their proprietary data sources and methods, making it difficult to verify their estimates.” It seems that the estimates are baseless, especially because the FBI admitted to the GAO that they did not have any record of a verified data source or methodology for generating their particular estimate, and also because that estimate could not be corroborated.

2. Are we talking about the substitution rate or the domestic value?

Sources can represent losses in a variety of different ways, making it even more challenging to comprehend the statistics. If infringing losses are measured as a lost sale, then they are inaccurate. The GAO has found such claims to be “assumptions . . . which can have enormous impacts on the resulting estimates.” It is unrealistic to value a counterfeit product at the MSRP for authentic merchandise sold at retail for two reasons: (1) a counterfeit product is not of the same quality or craftsmanship as the original; and (2) there is absolutely no evidence supporting the idea that a consumer would definitely purchase an authentic product if the counterfeit was not available.

The statistics in the U.S. Customs Report estimating the total MSRP of all counterfeit goods seized in 2012 to be $1.26 billion are a bit absurd.
At the very least, the reports do not provide accurate information about the overall impact of counterfeiting on American businesses.\textsuperscript{22} The domestic value of infringed intellectual property rights from 2005 to 2009 was approximately $1.6 billion, a mere .8% of the $200 billion claimed in losses each year.\textsuperscript{23} Counterfeiting generates losses, but the statistics misrepresent the reality of the losses. Organizations can be criticized for using such exaggerated figures as scare tactics to push anti-counterfeiting legislation.

\textbf{B. WHAT IS THE BIG DEAL ANYWAY? IT IS JUST A FAKE!}

It’s not just about the bottom line, which is important, no doubt. But it’s about the ties between counterfeiting and piracy of intellectual property to very important social problems and ills internationally: child labor; public health and safety; innovation; intellectual property rights; the basis of our functioning economy; and, importantly . . . in the area of national security.\textsuperscript{24}

Counterfeiting is usually perceived to be a victimless crime; however, the problem is extremely complex and causes different types of harm. The harm from counterfeiting can extend beyond the infringement of abstract intellectual property rights, especially in counterfeit pharmaceuticals and beauty products, which are copied using dangerous ingredients that may be fatal.\textsuperscript{25} According to Valerie Salembier, the vice president and publisher of Harper’s Bazaar whose team has been fighting to expose counterfeit perfumes for the past eight years, “[a]ctive ingredients found in counterfeit fragrance include things like urine, bacteria, [and] antifreeze.”\textsuperscript{26} Because perfume is applied to sensitive areas of the body, such as the face, neck, and wrists, these active ingredients pose very serious health risks and endanger the consumer’s life.\textsuperscript{27}

As technology has evolved, so has the black market, which is more sophisticated than ever before. Consumers are purchasing counterfeit children’s toys, diapers, medications, toothpaste, and even condoms, expecting the same results as the original product would deliver. Therefore, the issue is not just about a fake Chanel bag or some fake perfume; there are legitimate dangers created by these products for both consumers who

\textsuperscript{22} U.S. CUSTOMS STATISTICS, supra note 5, at 19.

\textsuperscript{23} \textit{Comparison of Yearly Domestic Value of IPR Seizures (FY 2005-FY 2009)}, CBP.GOV (Jan. 13, 2010). Domestic value is the cost of the infringing merchandise when it was last purchased plus all duties, fees, broker’s charges, unloading charges, U.S. freight charges to bring the property to the importer’s premises, and profit. Id.

\textsuperscript{24} \textit{From Canal Street to the Internet, Fashion to Fragrance, At Harper’s Bazaar, Fakes Are Never in Fashion}, BAZAAR: FAKES ARE NEVER IN FASHION, http://web.archive.org/web/20110425051930/http://fakesareneverinfashion.com/summits.asp (last visited Apr. 4, 2011) [hereinafter From Canal Street].


\textsuperscript{27} Id.
knowingly purchase counterfeit goods and vulnerable people such as the elderly or children, who may not be aware that they are consuming or playing with a counterfeit product.  

Most of the time, these counterfeit products are manufactured in environments that lack the appropriate controls to ensure their purity, and the products might also contain dangerous chemicals like lead and mercury. This is especially true for counterfeit products meant for children (e.g., toys, diapers, baby food) and health and hygiene products that do not meet the safety requirements of administrative agencies like the Food and Drug Administration. In 2004, at least thirteen babies, ranging from one to five months, died from malnutrition, while hundreds more suffered non-fatal malnutrition after consuming counterfeit baby milk formula that lacked the minimum amount of protein necessary for a baby’s survival. Though it was reported that forty-seven suspects were arrested for making the formula and 4,425 boxes of the fake baby milk powder were confiscated and destroyed, the formula most likely reached other children since it was sold under forty-five different brand names and manufactured by 141 factories scattered around China. Several counterfeit medications have also surfaced in the United States, such as counterfeit AIDS/HIV drugs produced using non-sterile tap water and with an altered active ingredient critical for its proper effect on patients; a counterfeit drug for schizophrenia containing only aspirin; misbranded cough medicine that killed five consumers; and a counterfeit and ineffectual flu vaccine.

C. COUNTERFEITS AND ORGANIZED CRIME: A WORLDWIDE THREAT

There is a long history of organized crime being linked to counterfeiting. In 1993, the FBI’s Terrorist Task Force discovered evidence that the sale of counterfeit tee-shirts and sports apparel were used to fund the 1993 bombing of the World Trade Center. The FBI, in conjunction with an ongoing investigation by the New York Police Department, had a list of twenty suspected counterfeiters who were linked to Sheikh Omar Abdel Rahman, an Egyptian cleric serving a life term in the United States for implementing the bombing. David Thai, the leader for the most notorious and violent Asian gang in New York (Born to Kill), controlled

28. See Shane, supra note 25, at 139.
32. GAO REPORT, supra note 15, at 11 n.12.
34. Id.
the sale of counterfeit watches on Canal Street in New York City by killing his competitors until his arrest in 1991. Thai confessed that he had earned over $13 million from the sale of counterfeit watches. In fact, “David Thai and his operations birthed the Canal Street counterfeit market and made it a worldwide tourist visit location for bootlegged items.” Thai is now serving two consecutive life terms for a host of crimes involving murder, robbery, and extortion.

Consumers might believe that purchasing one or two counterfeit goods does not have a significant impact on the well being of humankind. It is hard to imagine how the world’s largest luxury goods company, Louis Vuitton Hennessey Moet (“LVHM”), is harmed by counterfeits, with worldwide sales of $37 billion in 2012 alone. The harm of counterfeit goods extends beyond the fiscal impact on the global economy; buying counterfeit goods comes with a hefty social price as profits can fund child slavery and human trafficking. The fundamental question becomes whether that counterfeit Yves Saint Laurent Muse bag is worth someone’s life or freedom. Dana Thomas, author of Deluxe: How Luxury Lost Its Luster, personally witnessed and described the awful consequences of counterfeiting:

I remember walking into an assembly plant in Thailand a couple of years ago and seeing six or seven little children, all under 10 years old, sitting on the floor assembling counterfeit leather handbags, an investigator told [her] . . . the owners had broken the children’s legs and tied the lower leg to the thigh so the bones wouldn’t mend. [They] did it because the children said they wanted to go outside and play.

Thomas’ personal experience exposes the sad realities of counterfeiting and its effects on people and their culture around the world. Unfortunately, the international community does not readily see the consequences of counterfeiting, even by the regulators and politicians who may be able to help these children with protective laws and regulations. However, stories such as Thomas’s nightmare scenario are critical for giving a voice to oppressed children that can be heard around the globe. Change in counterfeit regulation cannot occur without hearing the cry of those who are exploited and abused.
II. LEGAL PROTECTIONS INTELLECTUAL RIGHTS OWNERS

A. TAKING BACK OUR BRANDS, OUR RIGHTS: BRAND OWNERS FIGHT BACK!

Online banking has been confronting some of the same issues that you in the luxury goods industry are confronting now . . . which are: How do you transact with confidence? How do you transact safely on the Internet? You see, we actually call it the Wild, Wild Web, because that’s what it is. It’s just like the Wild, Wild West. It’s caveat emptor. You have to be cautious. You have to be careful, because there is no superordinate body that’s going to make sure you’re safe and secure out there.41

In recent years, technological advances and a worldwide recession seem to have made it easier to counterfeit and profitably sell goods to consumers who are desperate for their fashion fix.42 If intellectual property holders find their products on the black market, there are various legal solutions that could provide them with the tools necessary to combat infringement. If the counterfeit good is a beauty product or pharmaceutical, the original rights holder may pursue a trade dress claim, which protects the packaging and overall appearance of the product.43 Powerhouse designers like Louis Vuitton and Chanel, whose “famous mark[s]” are splattered in Vogue and Elle and worn by celebrities, may have a claim for trademark dilution. Trademark dilution primarily benefits superstar designers rather than small unknown or upcoming designers, as only the infringement of a “famous mark” that is “widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner,” is protected against infringement.44 Of course, once and if infringers are caught, federal prosecutors could use federal statutes45 to charge traffickers. Section 2320 sets harsh criminal sanctions against infringers by fining first-time offenders of trademark counterfeiting up to $2 million, imposing a prison sentence of up to ten years, or both; while infringing criminal organizations receive fines of up to $5 million.46

However, under the mile-high piles of legal documents that claim thousands of counts of infringement under hundreds of state and federal statutes, the issue is not how these laws protect intellectual property holders, but who bears the ultimate responsibility for catching the bad actor. According to U.S. Customs, due to the implementation of several anti-counterfeiting programs in 2011 and 2012, there were 691 arrests, 423 indictments, and 334 prosecutions.47 However, though some progress is

41. From Canal Street, supra note 24.
44. 15 U.S.C. § 1125(c).
46. Id.
47. U.S. CUSTOMS STATISTICS, supra note 5, at 2.
being made, how much is enough, considering the billions of dollars at stake? Further, in balancing the number of seizures to arrests, are 334 prosecutions enough progress for the 28,526 seizures made by U.S. Customs in 2012 alone? Based on these figures, the government is not completely effective in stopping these infringers because there is not enough manpower or strength in legislation to threaten the operation of large counterfeiting empires.

With the ease of accessibility and use provided by the Internet, infringers are extending their counterfeiting businesses from the streets to the online marketplace, causing a rampant increase in the distribution of counterfeit goods around the world. Congress recognized this epidemic and enacted the Digital Millennium Copyright Act ("DMCA"), which not only provides intellectual property owners with various tools to protect their rights from online infringement, but also provides online and Internet Service Providers ("ISPs") such as eBay and Amazon, a clearer understanding of their legal exposure for various infringements that may occur on their sites.

While the DMCA extends the right of intellectual property holders, it also limits the liability of ISPs for copyright infringement by users of these sites. The DMCA provides a "safe harbor" for ISPs, generally immunizing them against liability for their users' infringement. This, in turn, shifts responsibility to the rights holders to monitor their property rights more closely in order to combat infringement. If online providers like eBay would have to constantly monitor the intellectual property rights of others on their sites, there would be no online marketplace to enhance commerce. ISPs would have to spend most of their efforts and money to protect someone else's rights. First, this idea conflicts with other U.S. rights such as the freedom to contract and the fundamentals of corporate law. Second, ISPs such as "eBay simply cannot be an expert on all the different goods put up for sale. Faced with these limitations, eBay needs to work with rights owners—who possess intimate knowledge of their own merchandise—for assistance and notice of items listed for sale that may be counterfeit.

In 2004, Tiffany & Co., the seller of luxury goods placed in the famously trademarked teal box, sued eBay regarding its alleged

49. The term “ISP” (Internet Service Provider) has a different meaning when used in the online context since many service providers offer different services to their users in this age. Therefore, in this context and for the purpose of simplifying the different meanings of this term, online and Internet Service Providers refer to a wide range of online service providers which includes actual providers of online services, publishing platforms, e-commerce sites, and search engines.
responsibility for monitoring the famous Tiffany trademarks in the e-commerce community. Tiffany argued that eBay was able to filter its counterfeit listings more efficiently than Tiffany could and that eBay should bear the burden of monitoring the mark. However, Tiffany’s argument failed, and the court held that even though eBay may be in a better position to prevent infringement, “the owner of a trade name must do its own police work.” Tiffany appealed the decision. In 2010, the U.S. Court of Appeals for the Second Circuit affirmed the district court’s decision that eBay was not responsible for direct or contributory trademark infringement or dilution. It was established that trademark law could not force online auction websites, such as eBay, to police trademarked products that may be infringed by its users.

In recent years, eBay has responded to the growing concern from consumers and trademark owners that its venue may be involved in substantial fraudulent activity by instituting various fraud prevention measures to detect counterfeit goods. One such measure is the advanced anti-fraud engine, “designed in part to capture listings of goods that contain hints of counterfeiting apparent from words or terms used in the listings, which do not require detailed expertise about rights owners’ brands or products.” However, eBay mostly works with trademark owners through its Verified Rights Owner program (“VeRO”), where intellectual property owners can report and request the removal of any possible listings of goods that infringe their rights. Following the infringement request, eBay immediately freezes the listing and removes the listing once a complete investigation of the seller and the goods takes place.

The investigative process to find these counterfeit listings is an expensive process, and only wealthy companies can afford to constantly monitor their trademarks in online trading communities. Online brand protection companies like MarkMonitor serve as third party intellectual property rights administrators and are used by many fortune 500 companies to police their intellectual property rights in eCommerce. MarkMonitor “leverage[s] the industry’s widest access to online data sources and using patented detection technology to continuously monitor more Internet channels than any other solution, it safeguards brand equity . . . [and]

54. Id. at 507–08.
55. Id. at 518 (quoting MDT Corp. v. N.Y. Stock Exch., 858 F. Supp. 1028, 1034 (C.D. Cal. 1994)).
57. Tiffany Inc. v. eBay, Inc., 600 F.3d 93, 96 (2d Cir. 2010).
58. Id. at 111–12.
59. EBAY SOLICITATIONS HANDBOOK, supra note 52, at 23.
60. Id. at 24–26.
61. Id. at 26.
revenue and reputation from a wide range of brand abuse.” MarkMonitor uses a patented detection technology to search the Internet for domain names that infringe the intellectual property of their clients and works to eliminate the detected infringement by, for example, contacting eBay’s VeRO program on behalf of its clients.

However, the cost of these services places their enforcement aid out of reach for many small companies. In addition, it is unclear how effective these services are at actually stopping international counterfeiters.

MarkMonitor is not an inexpensive tool to catch infringers. Its fees are estimated to be thousands of dollars per quarter, depending on the individual company’s need for protecting its intellectual property. The high cost for protection may not be beneficial to many small companies, as many cannot afford MarkMonitor’s fees.

Smaller companies have the option of creating their own task team to manually monitor infringement on platforms like eBay. However, even though they may have the option, they often lack the financial tools and legal knowledge to execute even the smallest deterrence programs against infringers. It comes down to either running your business or policing your rights. Clearly, larger and more developed companies can police infringement and continue their economic growth, while start-ups and other small businesses unfairly lose profits and reputation in the marketplace and are eventually driven into the ground. Unfortunately, based on recent court decision like Tiffany, trademark owners bear the responsibility to police and protect their brands from those counterfeiting their products. This reality raises a policy concern: whether the government cares about the effects of counterfeiting on smaller companies that cannot afford to protect themselves or, instead, favors the protection of larger companies that have the resources to protect their own rights.

In response to American trademark laws and with the conclusion of the Tiffany case pending, the LVMH empire chose to direct its battle against counterfeiting away from American courts and into the hands of the French judicial system. In June 2008, LVMH filed a lawsuit against eBay’s French auction website in the French court, claiming that not only was eBay allowing vendors to advertise and hold auctions for products listed as “replica Louis Vuitton,” but that eBay took no action in stopping repeat infringers from re-listing counterfeit products. LVMH was angered that eBay was continuously rewarding self-confessed infringers for selling
massive amounts of acknowledged counterfeit goods by promoting them to “Powersellers.” Louis Vuitton’s intellectual property director, Nathalie Moulle-Berteaux, stated that “[Louis Vuitton] had a case where [they] had 930 shut-down requests on a vendor, and this vendor was a PowerSeller. . . . It was a sign of eBay’s unwillingness to take measures against repeat offenders.” The French court, agreeing with LVMH, held that eBay’s behavior was “culpable negligence” and ordered eBay to pay $63 million in damages to various LVMH companies.

To make matters worse for eBay, a French appellate court upheld the trial court’s decision to continue to fine the company €50,000 per day as long as it continued to “allow” the sale/re-sale of counterfeited LVMH branded fragrances on its site. Though it is understandable that rights holders, like LVMH, deserve to keep their brands protected, it seems as though nepotism for one of France’s economically powerful empires drove the court’s decision. Proponents of this holding would argue that because distinguishing between fake fragrances and their counterfeit counterparts is extremely difficult, LVMH wants all sales to stop in order to avoid any counterfeits infecting the marketplace. Since not all consumers are familiar with technical legalese, some will not be aware that reselling perfumes is prohibited, despite the language in LVMH’s distribution contracts prohibiting resale. LVMH should bear the responsibility of enforcing their distribution agreements with retailers who directly do business with the company; rather than third party distributors like eBay who may not even be aware of these exclusive distribution contracts between trademark owners and distributors. This decision places eBay and other online auction sites at a high risk for frivolous lawsuits in France. Other companies might follow the footsteps of LVMH and seek monetary damages against these sites and possibly even sue these companies out of existence. Meanwhile, eBay has expressed intent to follow the court’s orders “as technically and humanly as possible.”

Many luxury brand companies have teamed together with various organizations to regain control of their brands. Organizations like Harper’s

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68. See id.
70. Thomas, supra note 40, at 2.
71. Id.
74. Id.
75. Id.
76. Scafidi, supra note 72.
Magazine, in partnership with the IACC and other anti-counterfeiting organizations, have launched the Bazaar: Fakes are Never in Fashion campaign by regularly publishing informational articles, blogs, and manuals online to educate consumers about the effects of counterfeiting.\footnote{77}{BAZAAR: FAKES ARE NEVER IN FASHION, \url{http://fakesareneverinfashion.wordpress.com/} (last visited Mar. 2, 2011).} With powerful sponsors such as the Italian Intellectual Property Rights Desk at the Italian Trade Commission, the campaign has successfully held its annual Anti-Counterfeiting Summit for the past six years.\footnote{78}{Id.}

The conference brings together more than 150 senior fashion and beauty executives, intellectual property lawyers, and law enforcement officials to discuss various topics in connection with counterfeiting, including how the commercial counterfeiting trade plays a role in terrorism.\footnote{79}{Id.} The campaign also provides the public with contact information for various organizations that directly deal with specific issues of counterfeiting.\footnote{80}{Recommended Links, BAZAAR: FAKES ARE NEVER IN FASHION, \url{http://fakesareneverinfashion.wordpress.com} (last visited Apr. 1, 2011) (providing links to organizations dealing with general counterfeiting, pharmaceuticals, DVDs, software and music, including a link to MarkMonitor for brand protection).} Along with its active campaign, Harper’s Bazaar also informs readers about counterfeiting in its annual January issue by exposing the reality of the epidemic through groundbreaking editorial investigations.\footnote{81}{Luxury Report, BAZAAR: FAKES ARE NEVER IN FASHION, \url{http://fakesareneverinfashion.wordpress.com/?s=luxury+report} (last visited Apr. 1, 2011).}

B. IF THEY CAN’T GET YOU, THEY WILL GET SOMEONE: THIRD PARTY LIABILITY

1. LVMH v. Third Parties

Even with the assistance of anti-counterfeiting organizations educating consumers one fake bag at a time, Louis Vuitton has further adopted a more vigorous private investigation campaign to reduce the counterfeiting of its famed mark.\footnote{82}{Louis Vuitton Files Complaint With ITC to Fight Fakes, BAZAAR: FAKES ARE NEVER IN FASHION (Dec. 9, 2010), \url{http://fakesareneverinfashion.wordpress.com/2010/12/09/louis-vuitton-files-complaint-with-itc-to-fight-fakes/}.} The LVMH Group has hired investigators from law firms to personally investigate Canal Street in New York City.\footnote{83}{Anthony Ramirez, Undercover on Canal St., With Louis Vuitton Imposters in His Sights, N.Y. TIMES (Jan. 29, 2006), \url{http://www.nytimes.com/2006/01/29/nyregion/29canal.html?_r=2}.} Once investigators find vendors selling the LV brand, they confiscate the counterfeit goods, and rather than filing charges against individual vendors who may not have anything to lose, LVMH goes after deep pocketed retail landlords who turn a blind-eye to counterfeit goods being sold on their properties.\footnote{84}{Id.} In 2006, LVMH made precedent by winning a settlement, in
the form of a permanent injunction, against landlords of seven different properties on Canal Street where counterfeit goods were seized by private LVHM investigators.85 As part of the injunction, the landlords were ordered to: “1) prevent tenants from selling handbag with counterfeit Louis Vuitton logos; 2) hang signs inside and outside their shops warning that the retailers aren’t authorized vendors of Louis Vuitton products; 3) finance and provide full access to court-appointed officials who will search the shops weekly for fake Louis Vuitton products for the next two years; and 4) evict tenants found selling fakes.”86

Today, vendors who choose to sell Louis Vuitton goods sell the goods in secret locations where they practically have to lure the buyer to the location.87 LVHM’s global intellectual property director, Nathalie Moulle-Berteaux commented, “[t]hose seeking to purchase counterfeit Louis Vuitton goods on Canal Street must now face the danger of following a stranger down a dark alley or stairway to a hidden room, which serves as both a deterrent to shoppers who fear for their safety and a strong reminder that the sale of counterfeits is a crime.”88 By holding retail landlords liable for the infringement committed by their tenant-sellers, LVMH has created a more effective and efficient deterrent strategy to stop the infringement of their trademark because landlords, unlike tenants, cannot simply abandon their property in order to flee prosecution.89

2. Gucci v. Financial Service Providers

Louis Vuitton is not the only brand actively protecting its trademark by taking action against wealthier third parties it can reach through U.S. laws. In 2010, Gucci filed a lawsuit against credit card merchants and banks for trademark infringement and counterfeiting on direct and vicarious liability and contributory infringement theories under New York state law and the Lanham Act.90 This suit followed Gucci’s success in Gucci v. Laurette against a website operator selling counterfeit Gucci products on its website, “TheBagAddiction.com.”91 According to Gucci, Laurette “‘openly boasted’” about selling counterfeit Gucci goods, as the website expressly stated that the goods were “‘mirror images’” and in fact not authentic.92 Laurette then admitted to selling counterfeit goods and the

85. Id.
87. See supra Introduction.
89. Id.
91. Id.
92. Id.
site was shut down immediately after Gucci’s victory.93

After its success in Laurette, Gucci proceeded to file suit against Frontline Processing Corporation, Durango Merchant Services, and Woodforest National Bank, claiming that these companies provided necessary credit card processing services, essential to the sale of counterfeit goods, to Laurette and other similar counterfeit website operators.94 The District Court dismissed the vicarious liability claim, stating that “[w]hile Defendants may have sufficient control over the sale of counterfeit goods to support contributory liability, the facts alleged do not support an inference that they had the type of control over a company like Laurette as a whole, i.e. akin to joint ownership, necessary for vicarious liability.”95

However, in regards to the contributory infringement theory, the court cited eBay and stated that Gucci’s claims may proceed upon a showing that the Defendants: (1) intentionally induced the website to infringe through the sale of counterfeit goods; or (2) knowingly supplied services to websites and had sufficient control over infringing activity to merit liability.96 The court found that Gucci had pleaded sufficient facts to support the claim that the defendants had control over transactions and knowingly provided a website selling illegal counterfeit goods with financial services via active credit card processing, thereby encouraging infringement by its user.97

Though Frontline was decided solely for the purpose of ruling against the Defendants’ motion to dismiss, this case is critical in that third parties may be held indirectly liable for infringement if they are found to have sufficient control over transactions conducted by users of their services.98 However, it is important to note that even though the Defendant’s motion to dismiss was denied, the court acknowledged eBay’s precedent in that “[k]nowledge alone of another party’s sale of counterfeit or infringing items is insufficient to support direct liability and there are otherwise no factual allegations that Durango, Woodforest, or Frontline themselves

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93. Id.
94. Id. at 238 (“To understand the roles of the three defendants and their alleged liability, a summary explanation of the credit card transaction process is necessary. A customer will initiate the process when he or she purchases a product from the merchant with a credit card. Once the credit card information is “swiped” on a terminal, or entered on a website, the merchant terminal transmits an authorization request to the merchant’s “acquiring bank,” who in this case was Frontline and Woodforest. The acquiring bank sends the credit card request through an electronic network to the cardholder’s issuing bank. Based on the cardholder’s credit limit or other factors, the issuing bank will send a message back through the network to the acquiri
95. Id. at 247.
97. Id. at 253.
98. Id.
advertised or sold infringing goods. 99 While the topic of third party liability continues to linger in the intellectual property community, this case, and future cases like it, will continue to clarify the liability of third parties in counterfeit infringement.

3. What about Google and Other Search Engines?

There is also a controversial debate regarding liability for search engines that allow search results or advertisements of websites selling counterfeit goods. 100 In January 2012, Google removed 14 million web pages from search alone in its proactive effort to fight counterfeiting. 101 This is drastic increase from 2010, where Google shut down over 50,000 accounts 102 that were trying to use sponsored links to advertise counterfeit products. 103 Kent Walker, the General Counsel of Google stated in 2011 that:

Google does bury the search results of sites that sell pirated or counterfeit products after complaints from copyright holders. . .But it’s difficult to filter Web searches ahead of time because searches for legal sites are often similar to searches for piracy or counterfeit sites, and Google doesn’t want to be in the position of deciding what sites should be excluded from search results. 104

Google also raised the same issue eBay raised in Tiffany; it cannot be expected to efficiently or effectively distinguish between authentic and counterfeit goods. 105 “It is incredibly difficult for Google to identify a counterfeit product being advertised. Online advertising companies, which do not take possession of the good, cannot know for sure whether any particular item out of millions advertised is indeed a counterfeit.” 106

Critics are concerned that if search engines bear the responsibility of monitoring infringement, they may shut down legitimate websites with legal content due to the fear of being sued. 107 The issue is even more complicated since many of the websites selling illegal goods are up and running under different domain names shortly after being seized or shut down. 108 The cycle repeats and becomes a “whack-a-mole problem” 109 that

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99. Id. at 247.

100. Grant Gross, Lawmakers Question If Search Engines Contribute to Piracy, PC WORLD (Apr. 6, 2011, 2:00 PM), http://pcworld.com/article/224470/article.htm.


102. In this context, “accounts” refers to advertising accounts that directed users to counterfeit web pages.

103. Gross, supra note 100.

104. Id.

105. Id.

106. Id.

107. Id.

108. Id.

109. See Gross, supra note 100.
continues until the actual culprits are caught.\textsuperscript{110} Perhaps the government should place stricter standards on companies like Go Daddy that issue domain names, or maybe the issuance of domain names should be governmentalized.\textsuperscript{111} However, these strategies pose serious threats to any nation’s economic well-being, as they might have a chilling effect on free trade in the global marketplace because legitimate online vendors will find it too burdensome to conduct e-commerce business.\textsuperscript{112} Third parties cannot be expected to do their jobs and be intellectual property experts for all products in e-commerce. This is an impossible and unfair burden to meet for any search engine.

The cases above are disturbing and contradictory, as different circuits are ruling differently on third party liability. In eBay, the court ruled that brands were responsible for policing their own intellectual property rights; whereas Louis Vuitton regained ground by extending liability to landlords. It seems that intellectual property rights owners are not going after the individuals who are directly infringing their trademarks; but rather “going big” and filing lawsuits against wealthier potential indirect infringers. These brands are taking their chances with these types of claims and challenging the judicial system to take on a new modern issue of extending liability to third parties.

Then again, the specter of fairness is raised here. Why should banks, landlords, and credit card companies be responsible for legal activity on their part? Intellectual property owners are aware that U.S. law is not effective at addressing the proliferation of counterfeiting websites, because at most, the direct infringers get prison time, a fine, or both. There is no way to keep the counterfeit activity from resurfacing again, because after websites are shut down, they are up and running under different domain names.\textsuperscript{113}

Intellectual property owners are using indirect liability lawsuits against third parties as a way of having someone else police their trademarks to deter infringement. Louis Vuitton’s settlement required landlords to monitor their property for potential infringing LV branded goods for two years.\textsuperscript{114} Although such deterrence strategies are slowly working against counterfeiters, the lack of uniformity across federal courts


\textsuperscript{111.} Cf. INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS (ICANN), https://www.icann.org/en/about/welcome (last visited May 1, 2012). ICANN is a nonprofit organization that currently coordinates Internet addresses and the domain name system. \textit{See id.}

\textsuperscript{112.} See Naomi Tajitsu, \textit{Megaupload Founder Can Sue New Zealand Spy Agency: Court, REUTERS} (Mar. 7, 2013), http://www.reuters.com/article/2013/03/07/us-newzealand-megaupload-spying-idUSBRE92604320130307 (discussing how the online storage website Megaupload is preparing to sue the government for improperly taking the website down).

\textsuperscript{113.} \textit{Weigel, supra} note 110, at 7.

\textsuperscript{114.} \textit{See Carvajal, supra} note 66.
is causing circuit splits, making it difficult to efficiently deter counterfeiting on a national level.

C. FEDERAL AUTHORITIES STEP-IT-UP: SEIZURE OF DOMAIN NAMES

The sale of counterfeit U.S. brands on the Internet steals the creative work of others, costs our economy jobs and revenue and can threaten the health and safety of American consumers. The protection of intellectual property is a top priority for Homeland Security Investigations and the National Intellectual Property Rights Coordination Center. We are dedicated to protecting the jobs, the income and the tax revenue that disappear when counterfeit goods are trafficked.115

In 2010, in its effort to prevent the theft of intellectual property through e-commerce, the Department of Justice launched “Operation in Our Sites v. 2.0,” where federal authorities seized domain names that violated the rights of valid intellectual property rights holders.116 Shortly after its launch, authorities seized 82 domain names that were found selling counterfeit goods.117 Authorities investigated websites that were created to look like legitimate businesses selling authentic items by developing their Uniform Resource Locators (“URLs”) around the names of famous brands such as Gucci and Louis Vuitton.118 Some examples of URLs that use this strategy to outsmart consumers and authorities are: http://www.oureplica.com/119 and http://www.bagselleru.com/.120 These websites are currently up and running in e-commerce, have not yet been seized by U.S. Customs, and are easily accessible to consumers through simple searches on any search engine (i.e., by simply searching “Replica Chanel Bag” on Google).

With its ongoing investigation of counterfeiting in e-commerce, the U.S. Customs launched the fourth phase of “Operation in Our Sites 2.0,” codenamed “Operation Broken Hearted,” in order to prevent consumers from purchasing counterfeit goods for their significant other for Valentine’s Day in 2011.121 Federal agents spent months researching, monitoring, and making undercover purchases from websites (most of them abroad) suspected of selling counterfeit designer goods.122 Once the goods were

116. Id.
117. Id.
118. Id.
122. Id. The seized counterfeit items represent 14 name brands: Breitling, Burberry, Chanel, Coach, Dolce & Gabbana, Gucci, Louis Vuitton, Nike, Omega, Patek Philippe, Prada, Rolex, Tiffany & Co., and Timberland. Id.
received and determined to be counterfeit, U.S. Customs served court orders obtained from U.S. magistrate judges on February 14, 2011, and seized eighteen domain names found to be selling illegal counterfeit goods. If consumers try to access seized websites, they will not see an opportunity to carry the latest Chanel bag, but instead are greeted by a banner that informs the public that the website has been seized by U.S. Customs for intellectual property infringement.

The battle continued in 2012, when 697 websites involved in the sale of counterfeit and pirated goods were taken down by the Immigration and Customs Enforcement (hereinafter “ICE”).

In 2012, U.S. Customs developed stronger anti-counterfeiting measures by implementing the information-sharing provisions of the National Defense Authorization Act of 2012. This Act gives U.S. Customs the authority to share information and samples of suspected counterfeit imports with trademark holders. U.S. Customs and ICE also participated in a global enforcement effort called “Operation Pangea V,” which was aimed at stopping organized crime networks that were in charge of creating counterfeit medications. The operation was successful; 79 arrests were made and 3.7 million doses of counterfeit medications were seized. With this effort, 18,000 websites engaged in the sale of counterfeit medications were taken down.

The federal government’s strategy is working to some extent, but there are still considerable holes in the way these investigations are being conducted. The first issue involves using public tax dollars to protect the private property rights of foreign multi-billion dollar empires like PPR, which grossed €8.14 billion in 2010 alone. The financial costs associated with locating websites selling illegal products, as well the initial investigation and continued monitoring, should be the burden of the intellectual property owner. The U.S. government should only intervene if owners ask, especially because most of the domain names seized were on behalf of foreign companies (with the exception of Tiffany and Co., an American company), involving products that are not even manufactured in

123. *Id.* (“The websites seized in ‘Operation Broken Hearted’ are: 1DESIGNERSCARVES.COM; CHANEL-NEWCOCO.COM; CHANEL-WHOLESALE.COM; COACHHANDBAGSSTORE.COM; CHOOSEMYHANDBAGS.COM; ECREPLICA.COM; FABAAA.COM; ICOACHOUTLETSTORE.COM; KRZJ.COM; ONSALETIFFANY.COM; REPLICA-HANDBAGS-ONLINE.COM; SHOPPING-LOUIS-VUITTON.COM; STORE AOL.COM; TIFFANYJEWELLERY-US.NET; TIFFANYSALE-US.COM; TIFFANYSALE-US.NET; TIFFANYSILVERSALE.COM; USCOACHOUTLET.COM.”).

124. *Id.*


126. *Id.* at 9.

127. *Id.*

128. *Id.*

129. *Id.*

the United States. Even though the U.S. government is not the only government seizing domain names of websites selling counterfeits, it is apparent that they are shouldering the burden in the hope that other governments will follow.131

III. PROBLEMS WITH ENFORCING THE END OF COUNTERFEITING: NO UNIFORMITY

So today we’re not just talking about chasing the guys on Canal Street or monitoring U.S. ports for illegal shipments from China. With the click of a mouse, from any corner of the world, a counterfeiter can infiltrate the Internet, cause consumer confusion, and magnify their illegal reach many millions of times. The Internet is now the undisputed hub of counterfeit sales. In fact, believe it or not, an estimated 80 percent of all counterfeit items sold are sold online.132

Even though intellectual property owners, law enforcement, and third parties are working together to try and protect trademark infringement; the root of the problem is that there is no real legal uniformity in the way counterfeiting is being curtailed on a global scale. As demonstrated, supra part II, the treatment of counterfeiting varies among different countries in the world. It is also difficult to avoid mentioning China’s role in this entire scheme.133

Despite recent news that Chinese officials have been cracking down on counterfeiting by making arrests and shutting down domain names for piracy, China is still notorious for counterfeiting.134 In fact, China is the top trading partner for intellectual property rights violations, followed by Hong Kong and Turkey.135 In 2012, 72% of the total number of counterfeit items seized by U.S. Customs, came from China and totaled $906 million dollars, a 12.5% increase from 2011.136

The increase in the value of the goods from China may be a demonstration of how easy it is for business-savvy vendors of counterfeit goods to sell their products through e-commerce. Selling online is a form of risk aversion, as counterfeiters can ship to individuals all over the world without getting caught. Even if the authorities catch the counterfeiters, the losses suffered by counterfeiters are insignificant; all they may have to lose is federal authorities shutting down their domain name(s). This loss is a temporary one in the counterfeiters can revamp their websites using

132. From Canal Street, supra note 24 (quoting Valerie Salembier, Senior Vice President/Publisher of HARPER’S BAZAAR).
136. Id. at 11, 22.
different domain names days after being shut down.

Legal enforcement of counterfeit goods sold online is especially problematic because there are jurisdictional and evidentiary problems. Perhaps this section would not be as critical of China’s actions (or better yet lack of effective progress\(^{137}\)) to curtail counterfeiting if the Chinese State Intellectual Property Office would promote a program similar to the United States’ Operation Our Sites.

Once such a program is established, Chinese government officials should work with American authorities by tracing the illegality to the real culprit (the criminal running the website in some basement in Beijing). However, there has been no such cooperation between the Chinese and American governments, or between any governments for that matter. It may also be some time before China cooperates with other countries to fight counterfeiting as they are struggling to enforce domestic rights, let alone foreign rights. In recent news, “[t]he U.S. government has labeled China’s top search engine, Baidu, and a popular e-commerce platform ‘notorious markets’ linked to sales of pirated and fake goods.”\(^{138}\) A country cannot be expected to battle an epidemic like counterfeiting outside of its borders without first having solved the problem domestically. Even though China has recently promised more stringent enforcement of intellectual property rights, it “still has a long way to go in order to resolve those problems,” and the practical effect of their promises will not be felt for some time to come.\(^{139}\)

Enforcement of global anti-counterfeiting strategies is also difficult because countries do not always agree with the laws and decisions of courts in other jurisdictions. The best example of this dichotomy is the differing outcomes of the \(LVMH v. eBay\)\(^ {140}\) litigation in France and the \(Tiffany, Inc. v. eBay\)\(^ {141}\) case in the United States. How could any effective global

\(^{137}\) Shane, supra note 25, at 147–49 (criticizing China’s IP enforcement programs as ineffective “publicity stunts to appease the international community for short periods of time”).


\(^{139}\) Id.

\(^{140}\) See Scafidi, supra note 72. In June 2008, LVMH filed a lawsuit against eBay’s French auction website in French court, claiming that not only was eBay allowing vendors to advertise and hold auctions for products listed as “replica Louis Vuitton,” but that eBay took no action in stopping repeat infringers from re-listing counterfeit products. Id. The French court, agreeing with LVMH, held that eBay’s behavior was “culpable negligence” and ordered eBay to pay $63 million in damages to various LVMH companies. Id. Later, a French appellate court upheld the trial court’s decision to continue to fine the company 50,000€ per day as long as it continued to “allow” the sale/re-sale of counterfeited LVMH branded fragrances on its site. Id.

\(^{141}\) Tiffany Inc. v. eBay, Inc., 576 F. Supp. 2d 463 (S.D.N.Y. 2008). The seller of luxury goods placed in the famously-trademarked teal box sued eBay for failure to monitor the famous Tiffany trademarks in the e-commerce community. Id. The court held that even though eBay may be in a better position to prevent infringement, the owner of a trade name must do its own police work. See id. at 518. On appeal, the Second Circuit confirmed the district court’s decision that eBay was not responsible for direct or contributory trademark infringement or dilution. See Tiffany Inc. v. eBay, Inc. 600 F.3d 93 (2d Cir. 2010).
counterfeiting scheme work when similar factual disputes result in very
dissimilar outcomes between foreign nations? Though multilateral trade
agreements such as Trade-Related Aspects of Intellectual Property Rights
(“TRIPS”) and international agencies like the World Intellectual Property
Organization (“WIPO”) bring nations together on protecting intellectual
property, the legal differences posed in *LVMH* and *Tiffany* divide nations
on reaching consensus for effective and enforceable anti-counterfeiting
measures. Until an international legal standard exists that clearly apportions
enforcement responsibility, it is unlikely that nations can enforce
counterfeiting in solidarity.

IV. CONCLUSION

A. ALTERNATIVE STRATEGIES TO FIGHT COUNTERFEITING

It cannot be repeated enough that a successful plan to fight
counterfeiting proactively will take the combined efforts of intellectual
property rights owners, law enforcement, and international governments.
However, this type of camaraderie is not always possible. Perhaps there
should be an international tribunal of intellectual property that combines
the efforts of the World Intellectual Property Organization and the Global
Congress Against Counterfeiting.

This proposed tribunal could develop a body of law that would be
approved through votes by several representatives of member nations. The
tribunal court would have the power to punish members of nations that
infringe intellectual property rights on a global scale. The problem with
agreements such as TRIPS is that the punishments are not always
enforced and therefore, countries might turn a blind eye to
counterfeiting. With a separate agency enforcing the punishment of
infringers as well as of nations that do not stop large-scale infringement to
the fullest extent, governments might take the problem more seriously. This
measure would look similar to Louis Vuitton’s settlement with the
landlords of Canal Street.

Perhaps the best enforcement is against third party “landlords,” or the
countries themselves in this case, that do not fully enforce regulations
against counterfeiting. The fines collected from infringers and/or
governments can go to globalized operations that monitor, trace, and shut
down websites selling counterfeit goods. The jurisdictional problem may
be waived in cases of tracing counterfeiters to their country of origin. Of
course, this strategy may seem quite strict and perhaps it would violate
other active treaties, but without some type of “Big Brother” watching the

142. Shane, *supra* note 25, at 146 (“In reality, the enforcement of the law is nowhere
near the same level.”).

143. See generally Request for Consultations by the United States, *China—Measures
Affecting the Protection and Enforcement of Intellectual Property Rights*, WT/DS362/1
actions of countries, counterfeiting may never be completely terminated.

Counterfeiting is such a difficult problem to permanently control because of the various difficulties presented in this article; therefore, it could be argued that the best solution to the problem is having no solution at all. Why should hard earned tax dollars of a single mother with three children go towards protecting the property of multi-billion empires like LVMH? Perhaps governments should not attempt to combat counterfeiting and leave the burden of enforcement on the intellectual property owners themselves—financially or otherwise.

Consumers of luxury goods have often indicated that they would not purchase counterfeit goods in lieu of authentic items because of their dedication and loyalty to their favorite brands. Therefore, inaction may be the best remedy since trademark infringement does not have as drastic of an effect on the market as authorities would like consumers to believe. However, there are dangers to inaction in cases of counterfeit health and wellness goods that might infiltrate the market and cause physical harm or even death to consumers. This concern is legitimate as demonstrated in the Chinese counterfeit milk powder cases, which killed 13 babies in different Chinese provinces. This begs the question of whether the only way to effectuate change to more effectively combat counterfeiting, is in response to the threat of injury, sickness, or fatality. But, this argument can be rebutted by arguing that it was not the infant fatalities in China that facilitated the need for change, but rather extreme pressure from countries around the globe for China or other countries to start taking action and responsibility for its inaction against infringers in the past.

B. THE BATTLE GOES ON . . . POSSIBLY FOREVER?

It is extremely difficult to develop efficient and effective alternative methods to enforce laws against counterfeiting because, over time, counterfeiting has become a complex strategic formula integrated with globalized culture, politics, and wealth. From the lack of accurate estimates on the true economic effects of counterfeiting to the barely existent international laws against counterfeiting, this article has demonstrated that without accurate information and international cooperation by nations, counterfeiting cannot be entirely stopped. There are too many complex obstacles that hinder the proper implementation of counterfeit laws, and, unfortunately, not all rights owners are powerful or wealthy enough to battle the business-savvy counterfeiter residing across the Pacific.

And yes, perhaps it is just a fake bag, shoe, perfume, or necklace—but the overall problem of counterfeiting goes far beyond the scope of a fake Rolex or the inaction of countries such as China. Rather, just like any other epidemic plaguing citizens of all nations, counterfeiting intertwines the complexities of a legally polarized world where the unification of ideas and implementation of laws is impossible. As a result of the combination of

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144. See generally MarkMonitor Report, supra note 10.
substantial counterfeiting profits and a disjointed international fight against counterfeiting, property will be stolen, people will die, children will be exploited for their labor, and homeless women will continue carrying Louis Vuitton fanny packs on the 6 subway in New York City!