

# Knock It Off

*Fake fashions may grab headlines, but piracy by any name plagues the gift business* BY MEREDITH SCHWARTZ



Anne Taintor image, Anne Taintor Inc., Brooklyn, NY. (718) 483-9312. Reproduced without permission on a corset.



**T**he thing about a trade show booth is that anyone can see inside. The same goes for catalogs, websites and even trade magazines. It's a perennial struggle for vendors to reach potential customers with new products while keeping their designs hidden from competitors — lest those designs be copied.

Of course, not all competitors copy, and there are different opinions about where the line lies between legitimate competition and a knockoff. Sometimes the only way to resolve conflicts is with legal action, but many manufacturers are not aware of their rights, and even more feel they can't afford the cost in time and money of defending those rights. Still, with competition at an

all-time high and overseas manufacturing being done on the cheap, gift vendors have no choice but to be on the lookout for the knockoff artists.

#### THE HIGH COST OF COPYCATS

Make no mistake: knockoffs are big business. According to an Organization for Economic Cooperation and Development study, the international trade in pirated products could

be as much as \$200 billion annually. Including fakes produced domestically and sold over the Internet, the International Chamber of Commerce estimates the total at more than \$600 billion. Business Action to Stop Counterfeiting and Piracy estimates that counterfeiting and piracy cost the U.S. economy about 750,000 jobs each year. On a typical day in 2005, U.S. Customs and Border Protection seized \$329,119 worth of fraudulent commercial merchandise, according to *Consumer Reports*; in 2006, 14,000 shipments of counterfeits were confiscated.

Of course, it's not all gifts. Compared to footwear, electronics, hand-

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bags, drugs and software, gift and home products are an also-ran in the counterfeit sweepstakes, lumped in with the 7 percent (or \$13,142,322) called “all other commodities” by the Customs service. But even a small slice of such a big pie adds up to significant numbers, particularly since gift industry piracy, which often steals designs without brand names, is very difficult to spot.

**THE CASE OF THE COPIED CANDLES**

Two years ago, Gary Briggs, owner of Aunt Sadie’s Candles, Boston,

sued Christmas Tree Shops, South Yarmouth, MA, for knocking off his company’s candles. One of the factors determining infringement is whether a product causes confusion in the marketplace. In this case, the knockoff was discovered when one of Aunt Sadie’s wholesale clients cut a Christmas Tree Shops ad out of the paper and sent it to Briggs, noting how unhappy they were that Sadie’s was selling to Christmas Tree Shops.

“They used the same verbiage on the warning label, right down to the ‘Enjoy!’ — which makes it very dif-

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**Two-in-one salt and pepper set.**

Original: **WMF AG, Geislingen/Steige, Germany.**

Copy: **Shantou Lian Plastic Products Co. Ltd., Guangdong, China.**

## Can You Make Someone Knock It Off?

FEDERAL, STATE AND international laws provide a panoply of protections against the tide of counterfeit copies of your original collectibles, jewelry, greeting cards or tchotchkes. These property protections may or may not apply to a retailer’s merchandise; here’s a primer to improve your chances of getting the law on your side. (First, a disclaimer: This is not legal counsel. Don’t try this at home! Get a lawyer to advise on your specific situation.)

- **Copyright** law gives the owner exclusive rights in certain original “works of authorship,” including the right to make copies and produce “derivative works” based on the original work. Such protections have limited application to decorative accessories. Copyright law protects original “pictorial, graphic, or sculptural features” of an object only to the extent these features are separable

from the object’s utilitarian functions. So, a mug or picture frame would not get copyright protection; but the picture on that mug or ornamental flourishes on the frame could be protectable. Copyright protection arises automatically in the U.S. upon creation of the original item. But registration with the U.S. Copyright Office is cheap and easy and affords important additional rights. Owners must register before they can bring a lawsuit against an infringer. Registration also allows the owner to enlist the U. S. Customs Service in protecting against imports of infringing copies.

- A **trademark** is a word, phrase, name, symbol, sound, scent or device that identifies the origin of goods. In some instances, nonfunctional elements of the design itself (i.e., “trade dress”) can be protected if they become iconically associated with

the creator. To prove that a knockoff infringes your product’s trademark, an owner must demonstrate a reasonable likelihood that a consumer would confuse the copies with the original products. Trademark rights arise automatically in the United States upon use of the brand in interstate commerce, but there are benefits to registering with the U.S. Patent & Trademark Office, including allowing the registrant to sue infringers in federal court, and to engage the U.S. Customs Service to help prevent imports of infringing versions of the product.

- **Patents** offer additional protections against manufacture and import of knockoffs of inventions that are “novel” and “non obvious.” While “utility patents” typically cover the way an item is made or works, a “design patent” provides protection for a “new, original, and ornamental design”

for a functional item. Under limited circumstances, one can also obtain a patent to protect an original “business method.”

- If you have valuable, secret information that you use in your business, it can be protectable as a **trade secret**, so long as you take reasonable steps to maintain its confidentiality. The recipe for Coke isn’t copyrighted, trademarked or patented; but that mystery ingredient is a trade secret.

While you’re busy guarding against real world copiers, don’t forget to patrol the mean streets of cyberspace. Brand owners are increasingly promoting their wares in “virtual reality” venues, such as Second Life. But, predictably, the knockoffs are already crowding out the originals.

*Jeremy Pomeroy is vice president and associate general counsel of Reed Business Information, parent company of Gifts & Decorative Accessories*

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 difficult to argue that it’s something different,” says Briggs. “One of the buyers actually admitted under oath that he’d gone into a store on the south shore of Massachusetts, sent

not cheap. It cost us close to \$10,000 to litigate that — and it didn’t even go to court. We were lucky we had a lawyer who worked primarily on contingency.” Indeed, the litigation might not have been worth it if



**Toy vehicles**

Original: **Bruder Spielwaren GmbH + Co. KG**, Furth, Germany.  
 Copy: Jusweet Candytoy China Ltd., Guangdong, PR China.



[the Aunt Sadie’s design] to China and said ‘duplicate this for our stores,’” Briggs adds.

Christmas Tree Shops had not been acquired by a national company.

The lawsuit was settled out of court, and Briggs is not allowed to talk about the settlement, but he says he is happy mostly because Christmas Tree Shops stopped selling the candles. Even so, he points out, “it’s

Aunt Sadie’s also won a settlement from Hanna’s Candle Co., Fayetteville, AR, for a lemon curd candle actually called Aunt Sadie’s, which was sold through Cracker Barrel, Lebanon, TN. Again, consumer confusion uncovered the infringement.

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**WHAT DO SHOPPERS THINK?**

Consumers understand the harm done by design theft; at least, rich ones do. According to the Luxury Institute:

- **57%** of wealthy consumers lose respect for people who buy fakes
- **76%** say they can tell the difference between fake and legitimate luxury goods
- **77%** feel the quality of knockoffs is worse than the products they copy
- **55%** say counterfeiting of luxury goods has a negative effect on them personally
- **80%** believe counterfeiting negatively impacts affected brands
- **18%** say their perception of counterfeited brands is negatively affected by knockoffs
- **32%** say available fakes make them less willing to pay premium prices for real goods
- **20%** say counterfeiting reduces their purchase intent and willingness to recommend a brand

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"They were actually very good about it," says Briggs. "They claimed they did a trademark search and nothing turned up, but they said clearly 'We screwed up.' They paid us a royalty on what was sold and

different products: paint-a-kits, wool tapestries and Woodkins dress-up dolls. In all three cases, knockoffs were of reduced quality and price point. "I could have gone after them legally, but it is absolutely not worth the time and money," says Drake.



**Braided bracelets.**

Original: **Gebruder Niessing GmbH & Co. KG**, Vreden, Germany.  
Copy: **Horst Stichnoth GmbH & Co. KG**, Hannover, Germany.

destroyed the rest of the inventory."

Aunt Sadie's is also in an ongoing dispute with Target Stores, Minneapolis, over alleged infringement. But the threat isn't always from chain retailers. Briggs also cites a problem with fellow small manufacturer Mudlark, Bolingbrook, IL. Briggs recounts an instance when "we got kicked out of someone's booth" at a trade show. Aunt Sadie's personnel had entered the booth to examine candles they believed were a copy. "We feel there's an issue of infringement there, and we don't have a lawyer looking at it," says Briggs. "If the lawyer says we don't have anything to stand on, then obviously we'll drop it."

"You can do cease-and-desist letters, which can be helpful. But psychologically, you just have to be aware that great products are going to be ripped off; you have to be ready to do the next thing."

Michigan-based designer Debra Grogan of Debra Grogan Designs says the cost of taking action needn't be prohibitive. "It cost me \$350 to have my lawyer write a letter to the offender. The product was discontinued, and I was paid royalties on product that had already sold, as well as product that was still left. There's a real possibility that the royalties paid were not what was actually owed, but in the end I decided not to hire a forensic accountant because the cost would far outweigh the return."

**TO SUE OR NOT TO SUE**

Still, it's not always clear whether litigation is the best course of action. Designer Pamela Drake of Pamela Drake Inc., Berkeley, CA, takes a fatalistic approach. "The lesson I've learned is that you can hope to have a good product for two and a half years, maximum, before someone knocks it off."

Free legal help may be available — to both sides. In 2003, Denver-based Mark Becker was sued for \$1 million by fellow jewelry maker Jeanine Payer. Payer alleged that Becker copied her pieces and competed unfairly, according to the *Denver Business Journal*. However, a jury found that there was no likelihood of confusion,

Drake experienced this with three

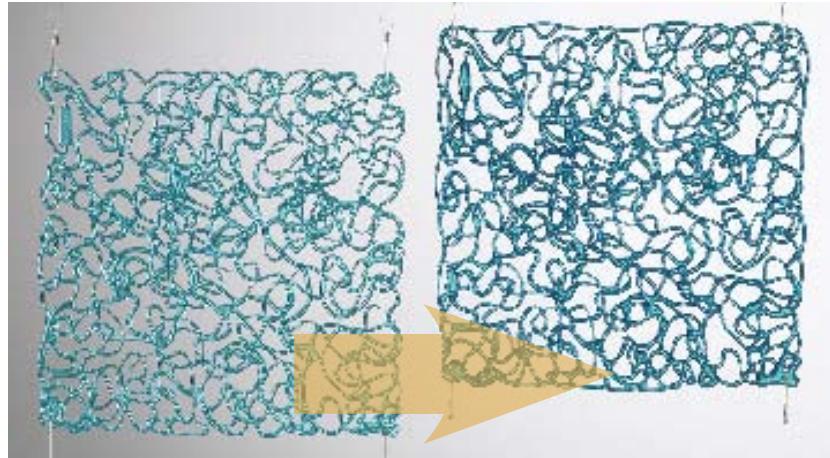
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**KNOCKOFFS** *From page 30* and that Becker didn't engage in bad-faith use of Payer's designs.

Becker found his legal representation through Colorado Lawyers for the Arts, which provides free legal services to qualified members.

**PROTECTING DESIGN**

According to J. Scott Ballman, unit chief for commercial fraud, Immigration and Customs Enforcement (ICE), and Dave Faulconer, director of the National Intellectual Property Rights Coordination Center, "The first thing [vendors should do] is get their products copyrighted or trademarked. Next, work with the Customs and Border Protection Office of Rulings and have their copyright or trademark recorded, so that all the



**Partitioning system "Fusion."**

Original: **Koziol >> ideas for friends GmbH**, Erbach, Germany.

Copy: Distribution: Art Expo Laden GmbH, Frankfurt, Germany.

products can be checked as they come into the United States." If vendors let Customs know which ports legitimate products will be coming from (and going to) Customs officials can stop copycat products.

Copyright and trademark viola-

tions can be pursued criminally, while patent infringement only draws civil remedies. A vendor can get an exclusion order and have counterfeit goods from overseas turned away; if they attempt to enter a second time, they can be seized, according to Ball-

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may not have the name recognition of Oscar or Emmy, but in their own way they make recipients (in)famous. Awarded at the Ambiente trade fair in Germany to the most blatant copies around, they may not have the force of law, but apparently getting called on the carpet does have some deterrent effect. At least in combination with Messe Frankfurt's other "Messe Frankfurt Against Copying" initiatives, which include exhibitor education on how to protect intellectual property and providing on the spot emergency legal assistance at tradeshows. The show management company estimates that copyright and trademark registration are up, while confiscations have fallen as a result of the program. Some of this year's "winners" are shown throughout this article.



plagiarus

man and Faulconer. And vendors shouldn't assume that trademark protection applies only if their name is used. If the functionality, the shape or unique properties are part of the trademark it can still be infringement. Without a formal trademark, protection is limited but not forfeited. Criminal prosecution is out, but an exclusion order is still possible.

According to U.K.-based Anti Copying In Design (ACID), in the U.S. copyright registration is a prerequisite before filing an infringement suit, but it doesn't have to be done right away. If copyright is registered within three months after publication or before an infringement, statutory damages and attorney fees may be available — if registration is filed later, only actual damages or profits are available. Registration made before or within five years of publication will establish prima facie evidence in court.

Show management Messe Frankfurt, ICE and ACID all give the same advice: register copyrights and trademarks. But vendors may demur. "It's very expensive to get a trademark or a copyright on what you do," explains Briggs. "We have 300 different designs; it's about \$2,000 a whack. We've trademarked [only] a couple of the really important things."

But that doesn't mean there's no trademark protection for the rest. "If you can prove you're the first person doing what you're doing, you're granted automatically some trademark rights whether you go through the formal process or not," Briggs says. "You have to show things like line sheets and catalogs. Even if you're small and someone large rips you off, you're protected under U.S. law. It is a stronger case if you hold the actual trademark, but even without that you have a good amount of protection."

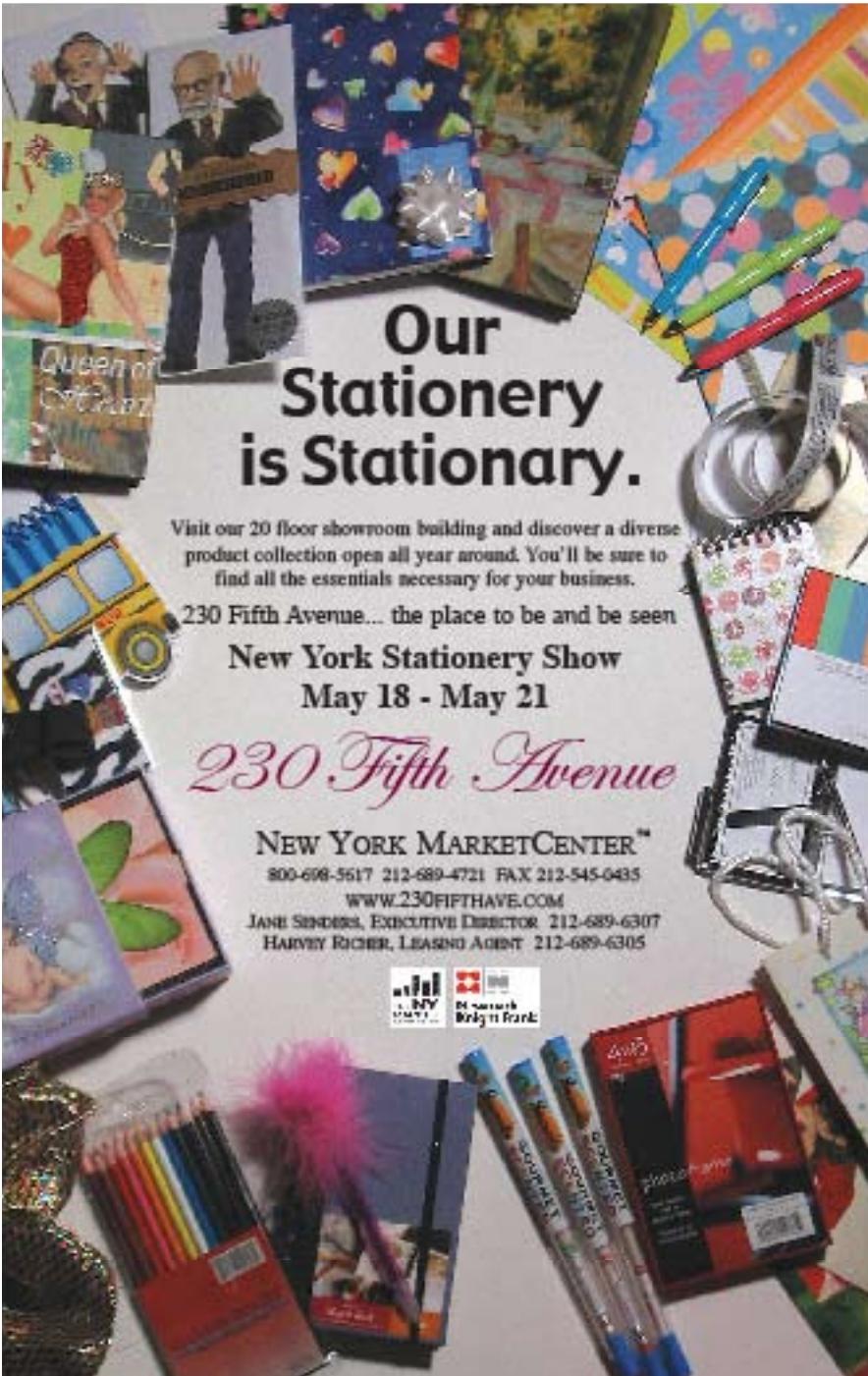
When it comes to copyright, Gro-

gan offers a possible solution. "Some [people] are also concerned with the cost of filing for each piece. However, costs can be kept down if an artist files for the copyright in terms of a 'collection' of several items."

Vendors that can't afford to register everything may want to cherry pick

moneymakers, according to "Dr. Toy," Stevanne Auerbach, San Francisco. "I've heard from inventors and small toy companies that as soon as their products came out they were copied if they were successful." Ballman and Faulconer agree. Pirates "reduce

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 their costs for everything. They don't do this randomly; they're going to try to pick off the best sellers."

ACID suggests that vendors choose a lawyer with intellectual property experience, sign and date all design drawings and get independent proof of the date by mailing designs to themselves in a registered envelope or using ACID's Design Register. Vendors should also get written agreements from employees, freelancers, suppliers, manufacturers and customers confirming ownership rights for all their designs. For those who suspect infringement, ACID recommends buying an example with receipt of the suspected copy, as well as sending a cease-and-desist letter, asking for an undertaking that further copied products will not be sold and damages to reflect quantifiable loss, admission of liability and costs paid.

Intellectual property laws vary from country to country, so companies manufacturing or selling in multiple jurisdictions should bone up on the differences. But international litigation can work. According to *Playthings*, Geomag, Rancate, Switzerland, took legal action against Magma, Tampere, Finland, to stop the sale of a copied product that used

a similar logo, had a lower price and poorer quality. Magma withdrew its product, destroyed it at the company's cost, and was also required to communicate the event to trade magazines in the region. Geomag also acted against the Danish distributor of Geomag, a Chinese imitation, and the distributor withdrew the product.

**TOO GOOD TO BE TRUE?**

Pirated product is illegal to sell, though not to buy for personal use. One of the problems with a potential knockoff is that a retailer seeing similar products doesn't always know who had the idea first. But respecting intellectual property is the smart — and the right — thing to do. Retailers who resell counterfeit products can have the merchandise and proceeds seized. Plus, the legitimate owner of the design can sue for additional damages. A retailer who knowingly buys counterfeit goods to resell can even face jail time. (Unwitting offenders will likely not be prosecuted, but asked to cooperate in catching the counterfeiter.)

Of course, most retailers don't go shopping with an intellectual property lawyer. "The big thing is the price point. If it is too good to be true, it normally is," Ballman and Faulconer advise. Beyond not knowingly buying

copied product, ACID suggests that retailers ask vendors for an indemnity, including a statement that they have not copied the design, and that they will reimburse for any damages and legal costs the retailer incurs as a result of selling an infringing design.

Retailer Marnie Bivetto of Los Gatos Company, Los Gatos, CA, says she's seen items she's carried knocked off, including Stone County Arkansas forged leaf designs, Leawood, KS-based Demdaco's Willow Tree and Deruta Italian pottery. But she won't buy copies. "If it's an obvious knock-off I won't touch it. You've got to have integrity; karma come back to haunt you. And the knockoffs aren't usually as nice. I don't think they're going to sell as well as the real thing."

Drake, Ballman and Faulconer also emphasize the fly-by-night nature of many counterfeiters. When a legitimate vendor is driven out of business by knockoffs, the pirate is likely to disappear too, leaving the retailer without a source for additional product.

Besides designers and vendors, industry allies can help reduce knockoffs. Messe Frankfurt's efforts (see sidebar) are one such example. Another comes from the toy industry: Auerbach teamed up with toy companies to draft a code of ethics, which was adopted by the Toy Industry Association.

"It doesn't mean that some of the companies that signed on haven't done something in the past that they shouldn't have," she says. "It may not stop them in the future either, but at least it has put them on notice that the inventors and the designers should be protected. Ultimately the organizations don't want to police members. I wish there were a legal committee for mediation. But what we have now is at least the first step." ■

**TAINED PRODUCTS**

**DESIGNER ANNE TAINTOR**, Anne Taintor Inc., Brooklyn, NY, experienced blatant copying. "I have seen other designers' products stickered with '© Anne Taintor' in stores. I have seen other designers' products advertised in print as Anne Taintor products.

Many buyers truly believe that they are carrying my line when our records show that in fact they have never ordered from us," she said. "When I believe there is a clear case of infringement I have my attorneys send a "cease-and-desist" letter. These letters are

usually very specific about which particular products we believe are infringing. [...] to date we have not actually sued anyone. Usually the designer will respond with "I'm sorry about this" or "I disagree about that" and we can come to an agreement."