

Building a Global Brand Protection Program from Inside a Small Company

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It was his first time at the Canton Trade Show and Tim Demarais, Vice President of ABRO Industries, Inc., was shocked. He had just turned a corner in the cavernous hall hosting the world's largest trade show to confront a very large "ABRO" booth. The problem, unfortunately, was that ABRO did not have a booth at the show.

Tim had heard about brand counterfeiting – everyone had – but he had not expected it to impact a company like ABRO.

ABRO is a small company based in South Bend, Indiana with only 24 employees in 2004 when Tim found the fake booth (and still has fewer than 50 employees to this day). ABRO sells a wide variety of basic consumer goods such as glue, tape, motor oil, and others. All are sold under the ABRO® brand name. A brand name that, while unknown in the United States, is very well known in many other countries. That is because, while roughly half of ABRO products are made in the U.S., none are sold there. Instead, ABRO sells primarily in developing economies such as Pakistan, Ecuador, and Saudi Arabia.

Many other small and medium enterprises (SME) like ABRO were also discovering that they were the target of counterfeits. Up till the early 2000s counterfeiting was a problem primarily for the large international mega-brands like Apple®, Nike®, and Hewlett Packard®. But as manufacturing smaller and smaller lots became cheaper and export and sales to foreign markets became easier, counterfeiting reached deeper into the market and impacted SMEs that previously thought themselves immune.

Moreover, trademark counterfeiting increased as international trade grew and trademarks fully came into their own. Trademarks always acted as identifiers of a product's source, but when used within the same country as the consumer they are only one of many information sources used by the purchaser. But when a foreign product, especially one using a foreign script, is offered to the public they rely on the trademark exclusively. As such, counterfeiting the trademark became a much more profitable crime.

Stopping the individual counterfeiter who created a fake "ABRO" booth at the Canton Trade Show (the story of which is fascinating and told in detail elsewhere) did not mean the end of ABRO's problems with fakes. Other fake "ABRO" products kept popping up. Some attempted to be exact copies (although the quality of both the product and packaging were decidedly inferior) and some attempted to skirt legal boundaries by using variations on the ABRO® name – like ARBO or ABRD. Some infringers made very intentional and sustained efforts to illegally trade off ABRO's reputation and some were single-shot opportunistic thefts. Regardless, the fakes came into the global market and ABRO needed to respond.

Having stopped their first counterfeiter while working for a 3rd party solution provider, I was excited to join ABRO as its in-house Director of Intellectual Property. The owner of

ABRO, Peter Baranay, and I shared a view of the way ABRO needed to respond if it wanted to continue to grow and be successful in the future.

That approach took ABRO from a company threatened with oblivion to one with a rock-solid brand position supporting continued growth and profitability. Other SMEs facing similar difficulties in the global marketplace would do well to consider doing the same.

DAVID VS GOLIATH

First, we must address several myths that SMEs tend to believe and that hold them back from engaging in anti-counterfeiting actions. When approaching a counterfeiting problem many SMEs assume they are at a disadvantage compared to the large multinationals. And, in some ways, they are. But they also have key advantages over giant companies that they would be well-advised to exploit as much as possible.

- **Budget**

The first assumption made about SME programs is that they are under-funded. While this might be true, it is no more or less true than many global brands. In over two decades of experience in this field I have been shocked to learn of the miniscule budgets some household names have protecting those famous brands. It is not uncommon to find a lone brand protection position with virtually no outside budget who is given no internal support whatsoever.

Budget is determined not by size, but by seriousness. ABRO dedicates the equivalent of 1% of sales toward brand protection. The owner, Peter Baranay, described it as “using 1% to protect the remaining 99%”. This long-term investment has ensured that ABRO can weather consistent counterfeiting attacks without allowing it to disrupt growth. We do this because ABRO recognizes that its strength in its market is built upon the strength of its brand.

Companies – large or small – that take their brand for granted will not allocate such significant resources. Very large brands can get away with this because the size of their brand position is so massive that even consistent counterfeiting will have trouble undermining it (just as a person with a large table full of food can afford to have mice nibbling at its edges). But SMEs cannot rely on brand mass for survival. If they become the target of significant counterfeiting, they can lose their market position very quickly.

- **Internal Buy-In**

The biggest advantage I had coming into ABRO was the full and complete support of the only person that mattered – ABRO’s sole owner Peter Baranay. Peter had long understood that the ABRO® brand name was the company’s key asset and must be protected. To that end, he was willing to invest the time and money necessary to do the job right. Anytime I needed support from the top – it was only a phone call away.

This is potentially an advantage that can be shared by other SMEs. The flatter hierarchy of smaller companies means that one or two key stakeholders can ensure full support for brand protection programs and a high level of responsiveness.

This, more than any other asset, can ensure victory. The ability to quickly and forcefully respond to crisis and exploit opportunity cannot be overrated. While large companies will need to consult with multiple departments and get approval from a variety of people before taking action, SMEs who value their brands can move immediately to stop fake products and the criminals who make them.

Moreover, brand protection inevitably conflicts with other organizational goals at some point. Sales wants to sell regardless of the risk. Marketing wants to promote anywhere and everywhere. And your CFO wants to lower costs by shifting manufacturing. All of these actions can significantly impact your brand protection efforts. If there isn’t a key person at

the table making these decisions that sees the protection and enhancement of your brand identity as just as important as these other desires, your efforts will be severely – and sometimes fatally – hampered.

- **Knowledge Depth and Breadth**

To successfully fight counterfeiting – especially on a global scale – requires both depth and breadth of key knowledge.

The depth of knowledge needed is the need to fully understand the entire history of the brand and its various uses. A great deal of trademark and copyrights are built on the provable use of those rights in public. While there are inevitably records of such use buried in all companies, smaller companies are more likely to have long-term key employees who know where to find them immediately. A large corporation with high turnover and little emotional investment by employees will inevitably find the task much more difficult.

Where larger companies have some advantage is in terms of knowledge breadth. Anticounterfeiting covers a wide range of skills and it is unlikely an SME has someone sitting around who already has those skills. But even the largest companies probably only have a few of the needed skills in house. In both cases, organizations will likely need to seek what they need outside the current structure.

- **When it Comes to Spend – Speed Beats Size**

Right from the beginning I knew ABRO would never be any outside attorney or investigator's largest client. So, instead, I made it my goal to make ABRO their fastest client. Fastest getting them requested information. Fastest when it came to responding to their suggestions and ideas. But most importantly – fastest to pay.

Having worked for the previous decade for an outside trademark vendor I knew that when it comes time to allocate scarce resources – when not all the work you have to do can be done today and you have to choose which client goes first – speed in payment weighs more heavily than overall size. Since ABRO was a small company with a billing/payment department of 2 people, I was easily able to make sure that we were always our outside counsel's best source of quick revenue. This made sure that our work was prioritized over others. An accomplishment not possible in a massive multinational corporation with the necessary bulky and delaying checks and balances that come along with that structure.

THE ABRO APPROACH

So, what are the components of the ABRO approach to fighting international intellectual property piracy:

- **Lawsuits are Rarely the Answer**

When first encountering counterfeiters ABRO reacted the way most American brands facing fakes do. They hired a lawyer (a bunch of lawyers actually) and filed several lawsuits. In one way, they were successful – after all, they won all the suits in the end. But in a much more practical sense this approach failed.

Lawsuits, in any country, are a lengthy and expensive undertaking. If ABRO had relied exclusively on lawsuits to stop this first counterfeiter they would have won just in time to go bankrupt. Because every day that the lawsuit dragged on was a day that the counterfeiter was illegally profiting off the goodwill and brand reputation that ABRO had spent decades and millions building.

Moreover, the products counterfeiters offer are inevitably substandard. And, why wouldn't they be? After all, they don't care about the customer. They only care about the sale. And they don't even care about repeat sales. They only care that the consumer be confused enough to pay for their offering that one time. It doesn't matter what is inside the packaging – just the outside. So, counterfeiters never waste too much money on ingredients.

But when the deceived consumer discovers the poor quality of the product they were tricked into purchasing, the consequences of the infringer's duplicity falls entirely on the infringed brand owner. The consumer – not knowing they were fooled – holds the authentic brand responsible for the terrible quality of the product. Over time this loss of consumer confidence destroys the brand's reputation.

So, every day that a company waits for the lawsuits to work their way through the courts they lose money and their brand gets weaker and their customers turn to other options. Few brands can stand such harm for years while they wait for a ruling – especially SMEs with a single flagship brand.

Finally, lawsuits only work against parties that will obey a court injunction or pay an adverse judgement. But most counterfeiters are criminals who will not do either. So, after 2 to 5 years of lawsuits you obtain a document from the court that the counterfeiters will likely ignore. You've spent money and time and have obtained nothing. Not because there is a problem with the court system, but because you used the wrong tool for the opposition you face.

- **Boots on the Ground**

ABRO, as a sales enterprise, sticks to a traditional approach to business. Relationships with independent distributors are often decades old and well maintained through strong personal connections.

While business in the United States is distinctly transactional in nature, the boundaries between your work life and your private life are less rigid in the developing world. Business partners attend each other's weddings and birthday parties. They don't stay in hotels; they stay in each other's homes.

ABRO replicated this approach when it came to the attorneys and investigators it chose to work with overseas. Relationships were not transactional and temporary. Time was spent finding people who were not just competent, but who shared our values. And our search process was not conducted via email. Instead, a number of promising leads were developed in advance of an on-site visit (generally between 4 and 6). I then traveled to the jurisdiction in question and met with them in person.

The value of meeting in person cannot be overestimated. Determining who to work with and how much they can be trusted is key to the implementation of your plans. That cannot be done via email, it can only be done eye-to-eye where a conversation can lead others to step out of their predetermined script and instead reveal themselves for who they actually are and what they really believe.

I understand how much more difficult this can be in a post-pandemic world. And there are certainly lots of experts out there saying that the future will be entirely Zoom and Skype, but I completely disagree. Email and video can give you the surface information about a person, but the deep information - the most important information – can only be ascertained by sitting in the same room with someone and having a real conversation.

- **There is Always an Answer**

Having personally visited 55 foreign nations and handled trademark and related matters in over 160, I can say that there has been a workable solution to respond to counterfeiters everywhere we touched (except for Suriname – don't get me started on Suriname). The answer, however, differed from place to place.

Oh, not on paper. Trademark and other related laws all look very similar in the various civil and criminal codes. But inevitably, when you work with locals who really know how things operate, there is only one thing that actually gets results. It is usually that way because a wide mix of factors – culture, legal authority, key official interest – but there seems to always be at least one solid solution.

As a foreign brand owner, you must remember you are a guest. I have far too often seen Western brand owners or their legal representatives come charging into a foreign jurisdiction with nothing more than criticism and complaint. They act as if they expect the system to be like it is in their home country and any time it isn't, they harass all local officials about how they are "doing it wrong". But those officials aren't wrong. They are the representatives of a sovereign nation who has the right to set up its laws and intellectual property protection system as they wish. They did so taking into account the unique variables found in their part of the world and designed something that works for them. You are not there as some sort of free-ranging consultant, paid to give your opinion about how you think it could be improved. No, you are there asking for their help and it is insane to do so rudely and condescendingly. I cannot tell you how many times local government officials in developing nations have recounted the terribly insulting and short-sighted treatment they have received at the hands of fellow foreign brand owners.

Instead of being a critic, you need to be an explorer. Learn what works and what doesn't. Search out who has the ability and – most importantly – the interest in helping you. Find what works THERE. Not what works back home. Not what you think should work. Not what you wish worked. Find what actually works and use it.

- **Bribery**

Any time I speak about fighting fakes in developing nations someone raises the issue of bribery. They are convinced, based on little more than fifth-hand accounts and cultural prejudice, that nothing gets done in a country far away from them without the payment of bribes.

I wish to be very clear. I have NEVER paid a bribe. And you, you should NEVER pay a bribe.

Not only is bribery illegal (often both in the local jurisdiction you are in and in your home nation) it is unnecessary. It is counter-productive and insulting. It is the sign of an amateur.

Bribery is a way to try and short-cut the hard but necessary work of understanding a system and building the personal connections needed to operate in that system. But it is rarely successful even in the immediate sense, and never long-term. Brand protection is a process of building a reputation within both the brand protection and the counterfeiting community that you take your intellectual property seriously and are willing to fight to protect it. If you cut corners, you are sending the message that you don't know what you are doing. You don't actually know how to fight. And, inevitably, there will be counterfeiters who can make so much money creating fakes of your products that they will be able to outbid you in a bribery war.

You can't win – don't try.

- **Look For Help From the Middle**

Most brand owners entering a new jurisdiction work from top to bottom. This is the wrong approach. They need to aim for the middle.

They come in and go to the highest-level national agency that has responsibility for fighting counterfeits. And that is a fine place to go for general information and statistics. But it is not where you get help.

Top level national offices can only assist in a few cases a year. Those cases usually have several things in common:

- They concern very large amounts of fakes
- They address other issues of national importance (such as security or money laundering)
- They require a very high level of political connectedness

SME cases rarely reach this level.

But fear not, because that top level is not where you should be asking for help anyway.

It is the middle level that offers the best results. It is regional or large city agencies or police that have the troops on the ground and the level of prosecutorial flexibility to take on the crime of counterfeiting. The top national officials don't have the time and the street level police don't have the expertise or interest (usually – there are some very notable exceptions). But in that middle zone there are many highly skilled, knowledgeable professionals who delight in taking on crimes that have deeper roots and broader consequences for their society – such as product counterfeiting.

Identifying the key individuals in the middle, meeting them, telling them your story, and eventually getting them to want to help you is essential to the ABRO approach. Once a key individual decides that you are worth the expenditure of scarce government resources (and the resources are always scarce) then the battle is half won. Even if their department is not the department that eventually handles the raid or arrest or whatever the productive response ends up being – they are a necessary step in getting to that point.

- **Go Deep in the Supply Chain**

The common approach to fighting against the online sale of fake products directly to consumers by engaging in a never-ending series of listing removals off the major platforms – listings, which are near instantaneously replaced by identical listings – is sometimes described as “playing Whack-A-Mole.” This phrase refers to the popular American arcade game where a series of mechanical moles pop up out of a game cabinet and the player knocks them back in with a comically large foam mallet. But, just as with the online counterfeiters, the mechanical moles always return. You can never stop the moles – or the counterfeiters – this way.

But just as this analogy teaches us about the futility of one approach, it can teach us of the advisability of another. You can stop the mechanical moles by reaching behind the machine and unplugging it. And you can stop the counterfeiters by tracing the supply chain to its source and shutting it down.

Finding the manufacturing origin and taking direct action will disrupt the counterfeiting supply chain more than any other single action. It is much easier for a manufacturer of fake goods to replace online sellers that have been knocked off a major sales platform (after all – there are millions of them) than it is for an online seller to establish a counterfeit manufacturing operation. The manufacturing point is the key weakness.

Once the item has been made, it will find its way to consumers somehow. If it can no longer be shipped through one port, it can go to another. If it can't profitably be sold in one nation, there is another. And since the original full batch of manufactured products splinters into smaller and smaller sub-batches as it passes through each stage in the illicit supply chain, even when enforcement takes place later on, it is only stopping part of the problem.

But by tracing a supply chain back to its point of origin, which can be difficult but is certainly possible for trained professionals, you maximize your long-term impact. You not only completely stop that source; you send a clear message of the enforcement abilities of your brand to the larger counterfeiting community. If you take down an Amazon or Alibaba listing, nobody cares. But if you throw the owner of a factory making fake versions of your product in prison for a year – other counterfeiters sit up and take notice.

- **Use All Your Weapons**

When considering stopping counterfeiting, one tends to automatically think of the laws specifically designed for that purpose – trademark, copyright, patent, and other intellectual property laws. However, they are not your only option.

A brand protection professional should always be on the lookout for other violations that the counterfeiters may be committing and which might be an easier or better way to proceed. Consider ancillary laws such as consumer fraud, public health violations, country of origin and ingredient labelling laws, and others. Counterfeiting is an illegal enterprise and the participants are rarely breaking just the laws that directly impinge on your brand rights. Find the other crimes they are committing and you'll have additional ways to stop them.

After all, the United States government, in the 1930s, did not put famed gangster Al Capone in jail for murder – it put him away for income tax evasion.

- **Lower the Value of Stealing From you**

Counterfeiters are just businesspeople. Sure, they are business people willing to violate certain laws in order to make money. But they are still driven by the same business concerns as legitimate operations.

To this end, counterfeiters consider opportunities to manufacture and/or sell fake products just as a legitimate competitor would. They weigh the potential profits, the amount of effort necessary, and the risks involved. I call this the Violation Calculation:

$$= (\text{Profits} / \text{Effort}) \times \text{Risks}$$

The way to stop counterfeiters is to move one, or all, of these variables in the direction that does not favor the counterfeiter. You can decrease the profits possible, increase the amount of effort it will take to obtain those profits, or increase either the probability or severity of the risks involved.

The most common approach is to increase risk. Obviously, these illegal competitors have far more than the ordinary businesspersons' types of risks. They risk not just the loss of invested capital and wasted time, but criminal sanctions as well. But when considering approaches to increasing the risks run by counterfeiters of your product, it must be done within the context of the violation calculation.

This means that it is not total and absolute victory you need. While it is very satisfying, it is not necessary to completely destroy a counterfeiting enterprise to reach your goal. Counterfeiters, like all businesspersons, are cognizant of the opportunity costs for their enterprises. They have a variety of options for investing time and money and stealing from you is just one option. You don't have to necessarily make it a completely unprofitable option – just less profitable than their other options. This means that even marginal movements of the variables in the calculation can remove violation of your brand as a realistic choice for them. Not because it is impossible, but because it is simply less profitable.

- **Have a Clear Goal**

This is both the first and last step. Brand protection is often discussed as a series of tactical or technical options. Raids are possible here. Online takedowns are possible there. But before any of that you need to have a clear goal.

“No counterfeits” is not a clear goal. In the modern age, any successful brand will draw counterfeiters and counterfeits. It is one of the ways you know you have made it.

The goal is to develop a brand reputation in both the brand protection and counterfeiting industries as a brand that can fight and fight smart. This will drive away the truly organized criminals and leave only random opportunistic counterfeiters. These will continue to pop up, but they are easily defeated piecemeal and can be kept to a minimum for far less cost.

ABRO reached a key victory moment several years back. An undercover investigator working for ABRO was speaking with a known counterfeiter. The counterfeiter, thinking the investigator was nothing more than a potential customer of fake products, was listing

all the brands he counterfeits. After listing all the major brands in the product type, but not listing ABRO, the undercover investigator asked “what about ABRO – can you make that”? The infringer responded “No – you don’t want to mess with them.”

This was a real victory. When professional counterfeiters actively avoid violating your rights. That is your ultimate goal.

CONCLUSION

ABRO still faces counterfeiters. After all, it is a growing, successful brand constantly pressing into new markets with new products. But the counterfeiters we face now are one-off opportunists instead of large entrenched criminal enterprises. Over 100 arrests, years of jail time, and millions of dollars in seizures have shown the counterfeiting professionals that we are a brand that can fight back. Despite our size, ABRO is a giant-killer when it comes to brand protection.

If you take the right approach, the ABRO approach, your brand can be one as well.

William Mansfield is an American attorney and the Director of Intellectual Property for ABRO Industries, Inc. He is in charge of growing and protecting ABRO’s expansive trademark portfolio of over 2,000 registrations in over 175 countries. Mr. Mansfield has himself traveled to 55 foreign countries and directed legal matters in over 160. This involves coordinating the actions of attorneys, investigators, and government officials on six continents (and he is hoping for a case in Antarctica to arise one day as well).

Mr. Mansfield earned his J.D. from Indiana University, a B.A. in Psychology from Purdue University, and is currently completing a M.B.A. at Indiana University. He is certified in the investigation of transnational and organized intellectual property crime by the international police organization INTERPOL.

ABRO Industries, Inc. is headquartered in South Bend, Indiana. ABRO offers a wide variety of household, automotive, and light industrial goods such as glues, tapes, and oils under the ABRO® brand name to individuals and small businesses in developing nations worldwide. While virtually unknown in the U.S., ABRO® is a major brand name in countries such as Pakistan, Nigeria, and Ecuador.