

TIGHTENING THE GRIP ON COUNTERFEIT GOLF CLUBS

Joseph M. Hanna Goldberg Segalla

INTRODUCTION

For many, golf season is always in full swing, and golfers are constantly looking to upgrade their game by upgrading their gear. But bunkers and water hazards are not the only things golfers need to avoid to stay on top of their game. Counterfeiters have begun to prey on the lucrative golf industry, selling knock-off golf clubs and other equipment that look just like the real deal.

While manufacturers continue to create increasingly technical – and successful – golf equipment, counterfeiters are syphoning off a sizable chunk of the market with counterfeit products. Today's increasingly global market poses a major challenge to the golf industry as counterfeiters target online shoppers, offering too-good-to-be-true deals to unwitting buyers who have no opportunity to inspect the product before the purchase.

The golf industry is beginning to fight back, however. Renown companies such as Under Armor have vowed to protect their intellectual property against counterfeiters by any means necessary. But the current legal protections present challenges to manufacturers in the United States, and when counterfeiters operate beyond our borders, protecting patents and trademarks abroad is nearly impossible, and comes at a great expense.

PROTECTING THE INTELLECTUAL PROPERTY OF GOLF

Golf equipment manufacturers use patents and trademarks to protect their intellectual property assets. A patent is an exclusive property right granted by the government to the inventor of a product or process, and prevents others from making, using, or selling the invention without the maker's permission. The golf industry uses

both design and utility patents to protect golf clubs. Design patents protect the "exact shape for the club head" and any additional unique features, whereas utility patents protect the specific playability features that the same club head may evoke.

A trademark protects a company's trade dress, which includes the brand name of the manufacturer, the name for the golf club, the lettering and style used, its packaging, and other aspects of its overall appearance. The United States Patent and Trademark Office allows only the registrant of a trademark to use that name or logo – or a substantially similar one – on its product. Trademarks ensure that when golfers purchase a club, they are paying for every process that lead to its inception.

As golf companies take technology and innovation to the next level, it is crucial for manufacturers to prevent counterfeiters from damaging their brands and stealing revenue. But although U.S. law provides the legal framework for protecting intellectual property rights, ambiguity and subjectivity embedded in the law poses a challenge to golf companies seeking recourse against counterfeiters.

DIFFICULTIES IN PROTECTING TRADEMARKS

Trademark owners can protect their interests by suing infringers under the counterfeiting provisions of the Lanham Act, which protects federally registered marks by prohibiting any mark that causes confusion, or mistake and deception, in the mind of a consumer. Liability often rests on the highly subjective "likelihood of confusion" issue.

U.S. courts weigh several factors to determine whether a competing mark is likely to confuse consumers, such as the similarity between the marks, the actual confusion caused by the competing mark, and the alleged infringer's intent. These



central factors to the analysis are easily arguable by counterfeiters, leaving trademark owners with a difficult task when protecting their brand.

The similarity element takes into account spelling, sound, meaning, context, and style of the competing marks. But a similar spelling or name, alone, is not sufficient. For instance, a “Tailormade” driver does not necessarily infringe on TaylorMade’s trademark. Marks that are not visually complex – a highly ambiguous standard – receive little sympathy from courts when compared to a similar mark because, typically, only a high level of sophistication warrants legal protection.

When weighing the actual confusion caused by a mark, courts use an objective preponderance of the evidence standard – typically met by witness testimony, surveys, miss-delivered mail, or incorrectly addressed customer service complaints. Although golf manufacturers have had success in demonstrating actual confusion, producing evidence in support of this element is becoming increasingly difficult as counterfeiters produce better and more exact knockoffs.

A defendant’s intent to cause confusion by using a similar mark has also been a difficult element to prove in trademark litigation. Courts consistently hold that intent to refer to, or make a “play” off of a mark, is *not* the same as the intent to cause confusion. Counterfeiters have also disproved the intent requirement by having sales staff point out and explain the differences between the products, which can create issues of hearsay and cloud the court’s judgment.

TROUBLE IN PROTECTING PATENTS

Protecting patents has also proven to be difficult for golf club manufacturers. Major golf companies, including production-giant Callaway, have had difficulty protecting their “art” in recent litigation. For instance, in 2010, Callaway was sued for allegedly infringing an established patent for a putter (*Colucci v. Callaway Golf*). Callaway claimed that their “RAM Little Z” putter qualified as “obvious prior art,” under the Federal Patent Act, and was therefore not infringing on a patent. To demonstrate, Callaway hired an expert to explain how the putter was distinct from the plaintiff’s patent and, further, that the putter was available for sale prior to the plaintiff’s patent application. Despite the compelling evidence presented, the court denied Callaway’s motion for judgment as a matter of law because Callaway could not corroborate its expert’s testimony.

It was not until four years later that another golf manufacturer, Cobra, successfully

presented enough evidence to survive the court’s scrutiny (*Nassau Precision Casting v. Acushnet*). It did so by submitting extensive evidence – including charts, photos, and diagrams – to demonstrate that there was no alleged infringement. Moving forward, golf club manufacturing companies should present voluminous evidence when defending patents against infringement claims. While protecting patents and avoiding costly penalties for infringing on the patents of others has inherent expenses, it has proven to be a successful way to protect a golf club’s brand and products.

THE INTERNATIONAL THREAT

Countries such as Vietnam, the Philippines, and China have become hotbeds for golf’s lucrative “black market.” While those countries recognize intellectual property rights, they generally do not enforce them as strongly as the U.S. does. As a result, sustaining claims of international trademark infringement against golf equipment counterfeiters is difficult, given the vast majority of infringers are based in countries where trademark law enforcement is markedly different.

For instance, in some countries, marks are not considered likely to cause consumer confusion unless they are nearly equivalent to the original mark. Even simple, nuanced changes can be sufficient to find consumer confusion does not exist. Additionally, in contrast to the U.S., most foreign countries award trademarks based on a “first to file system,” awarding protection to the person who files for the trademark first, instead of a “first to use” system protecting those who use the mark first in commerce. Under the right circumstances, foreign counterfeiters can file papers to own the trademarks of U.S. golf manufacturers.

REMEDIES AND SOLUTIONS

Golf manufacturers can fight back against counterfeiters by expanding their intellectual property enforcement departments and utilizing the consumer protections built into online shopping platforms.

Many of golf’s top companies now employ specialized attorneys and others dedicated to enforcing intellectual property rights. For example, Callaway employs a legal and security team that travels the globe purchasing infringing products, coordinating raids, and seizing millions of dollars’ worth of counterfeit clubs. In-house enforcement departments can help companies identify knock-offs quickly and disrupt counterfeit operations.

Golf companies can also participate in buyer-protection programs offered by on-

line shopping platforms. For example, through eBay’s Verified Rights Owner program, eBay monitors golf products listings, provides trademark owners notice of possible infringement, and removes suspicious items within 24 hours of the items hitting the web.

Remedies for infringement will remain moot, however, until the standards for infringement become more clear, globally. International courts have applied the likelihood of confusion standard much more narrowly than in the U.S., as typically only strong evidence of confusion, along with the near exactness in mark design, results in a successful claim. Thus, while most countries offer legal protection for trademarks and patents, the subjective nature of the infringement standards makes them difficult to enforce. A firmer and more defined standard that applies universally would help to reduce the counterfeit golf industry by giving golf companies a consistent avenue to seek redress and aggressively enforce their intellectual property rights.

CONCLUSION

Correcting the problems counterfeiters pose to the golf industry is not an easy task. Despite existing legal protections, golf companies are constantly losing revenue to counterfeiters exploiting golf’s popularity. Additionally, the current protections granted in the United States are much stronger than those offered abroad, where most counterfeit golf equipment is manufactured. Golf companies must continue to build their intellectual property enforcement teams, encourage stronger e-commerce protection, and push for stricter enforcement abroad. For now, though, consumers must be diligent when making purchases until more effective remedies can reassure consumer confidence.



Joseph M. Hanna is a partner at Goldberg Segalla, where he leads the firm’s Sports and Entertainment Practice Group and is Chair of its Diversity Task Force. He represents professional athletes, along with management, ownership, and companies that serve the sports and entertainment industries, in commercial and litigation matters. In 2015, Mr. Hanna was named Lawyer of the Year by the Bar Association of Erie County, the youngest attorney in the organization’s 130-year history to earn the distinction. He can be reached at jhanna@goldbergsegalla.com.