

## A Study on the Luxury Goods Counterfeiting in the View of the Infringement on Design Authenticity

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**Abstract:** The counterfeiting activity remains a major issue in the luxury goods market of China. The samples from prominent international luxury goods are used and modified with identical design, material and pattern as to create an inexpensive version of the same luxury goods in order to generate profits from the market in China. This type of practice has caused a tremendous impact on the luxury industry worldwide and at the same time it has led to a very serious issue of infringement. The study aims at the resemblance and the controversy stirred up by the practice of counterfeiting luxury goods conducted in China. In the meantime, the Birkin from Hermes is used as the sample of the study along with ten luxury goods experts to discuss and to conduct the Delphi method so as to probe the legal issue generated by the counterfeit Birkin in the Chinese market in terms of its likeness. As the result of the study, a high degree of resemblance has been discovered between the counterfeit Birkin and the authentic one regarding the appearance, size, pattern and color. Conforming to the statement above, the study has applied the concept of design patent and trademark counterfeiting in the Intellectual Property Law of Taiwan to implement a further discussion. Furthermore, the study has probed the confusion of consumers caused by the difficulty in the recognition between the authentic luxury goods and the fake one and the standard and the civil remedies caused by infringement.

**Key Words:** : Design authenticity, Luxury goods counterfeiting, Copyright, Delphi method

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### INTRODUCTION

According to the study conducted by The Organization for Economic Cooperation and Development (OECD) in 2016, the size of the market for counterfeit product is worth nearly five trillion US dollars, and it occupies up to 25% of the overall importation around the globe. Of its victims are brands from the US, Italy and France (Organization for Economic Cooperation and Development, 2016), in addition, in the joint report issued by European Police Office (EUROPOL) in 2017 has pointed out that China has contributed more than 80% of the counterfeit goods in the world (European Police Office, 2017). It clearly shows that ever since the reform and the opening of Chinese market has commenced, the counterfeit product has been increasingly rampant and out of control despite the massive investigating and castigating effort devoted by the Chinese official.

With the prevalence of counterfeit products, the impacts such as, tax deprivation and unemployment rate have taken their toll on the European region, more severely, it has hindered the trading and development of the authentic products. This occurrence has directly influenced the image of luxury brands as well as infringing the trademark, design and patent of those luxury brands through exploiting the trust of consumers resulting in undermining the overall economy of Europe. As complicated as it can be, the legal issues involved in counterfeit goods can be varied depending on the degree of infringement and the laws in different nations, hence the consequences may be dissimilar. The study aims at probing the infringement contention triggered by counterfeit products with the application of Birkin, a world-renowned luxury brand, as the sample to conduct an in-depth investigation for the degree of approximation between the authentic Birkin and the counterfeit one sold in the market of China. Lastly,

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the discussion regarding infringement is conducted upon the concept of design patent and trademark counterfeiting in the Intellectual Property Law of Taiwan.

## **LITERATURE REVIEW**

Based on the statistic done by Fortune Quality Institute, the total worldwide consumption of counterfeit goods by Chinese is of 120.4 billion US dollars, with this amount, it clearly shows that Chinese has splurged on half of the counterfeit goods in the world (Su, 2016). China is now one of the primary markets for counterfeit goods consumption (Intan, 2016; Zhang & Kim, 2013; Zhou, Arnold, Pereira, & Yu, 2010). Along with the rise of the market for counterfeit goods, it has affected the Chinese perception towards counterfeit goods, since luxury goods feature dominant reputation, quality and price, the association of individual wealth, uniqueness and authority with luxury goods are invulnerable. The embedded code of luxury goods induces an anticipation of consumers by which their self-value can be achieved through demonstrating their reputation and value with the purchase of luxury goods and that is the cause of the rampant in the market of counterfeit luxury goods.

Founded in 1837, Hermes earned its fame in France by producing high-end harness. For the time being, exceptional excellence, extremely gorgeous design concepts and exquisite craftsmanship have long been the belief of Hermes, it is why the brand, Hermes, has been considered as a unique luxury. Of 14 selections of products including leather goods, bags, scarves, men and women clothing, perfumes, watches and so on, Hermes has more than 200 exclusive stores located in more than 20 nations (Hermes, 2017). Among all of Hermes products, Hermes Birkin is by far the most notable one, it was named after a French celebrity, Jane Birkin. The major feature of Hermes Birkin is the augmentation on its exterior and the extension on its interior so that it can be used as a carry-on luggage for traveling or a suitcase for business. Due to its popularity among the opulence and its limited production, Hermes Birkin is available per order around the world. On average, the production of one Hermes Birkin will take up to 2 years, in addition to its limited production, Hermes Birkin offers 90 different materials and colors available for the customers to choose from, customers can select their favorite leather, metal fastener and more to customize their one and only Hermes Birkin, and even with an extravagant price, Hermes Birkin is still the favorite among the high-end consumers.

In Taiwan, there is a type of design patent called No Body Property Right which mainly protects the patentee to exercise the right to withhold any intention of infringement act from others, and after the official approval of the patent, the shape, pattern, color or any visual creation of the design which holds industrial utilization, legitimacy, novelty and creativity is entitled to possess the patent and be protected by the patent law for 12 years starting from the date of application filing. In other words, its the exterior design of an object such as, the style of a purse or the design of a smartphone, is under patent law protection. The design patents and trademark systems mentioned above are all terrigenous and both concepts are extremely alike to each other.

The intention for forging the trademark and logo is to obscure the judgement and subjective consciousness of consumers so that the action of purchasing the counterfeit goods can be completed. The act of counterfeit often develops on the trademark, logo and the style of the merchandise, as for copyright, this issue will not arise. The notion of creation is not limited to idea, process, operating procedure, system, operating method, concept, principle and more, it is clearly stated in Article 10-1 of the Copyright law. In essence, any merchandise made by original creator holds no restriction to duplication of the identical one, however, the existence of the copyright law is to offer a protection with constrain which refrains any act of monopoly through counterfeiting other concepts of creations with no existence of industrial utilization, novelty and creativity, and solely for the purpose of weakening the original value of the art and sacrificing its dominant in the market.

In principle, any act of merchandise counterfeiting can be brought against Fair Trade Act or Trademark Act, since the Fair Trade Act engages a heavier penalization than the Trademark Act, more plaintiffs are in favor of exercising their rights through the Fair Trade Act, as a result, it leads to a squandering of administrative resources. In the Trademark Act, it covers product appearance, business logo, color, sound, three-dimensional shape and so forth, meanwhile, the act guards against any downplay

of the products appearance with the purpose of claiming its dissimilarity to the authentic one. Thus, the trademark protection under the Trademark Act carries the similar restriction as it under the Fair Trade Act. In Taiwan, the act of counterfeiting under the Fair Trade Act is used as a supplementary for the Trademark Act, yet, even with the use of the idea of unfair competition as a supplementary for the Intellectual Property Act, in Taiwan, the penalty is only confined to criminal and civil liability since there is no government intervention as what the act has stated, the judgement between the exploitation of the unfair competition and the Intellectual Property Act lays upon the court. Any infringement of merchandise counterfeiting will be sufficed for article 61 to 64 of civil liability and article 81 to 83 of criminal liability under the Trademark Act. In Taiwan, any infringement of Trademark Act is not considered as No trial without complaint, even with reconciliation, the defendant will still have to face the trial.

## **METHOD OF RESEARCH**

With a variation in infringement of merchandise counterfeiting, the legal issues which involve in will be vary, therefore, for the objective of this study, the researcher has invited 10 experts to investigate the elements of Hermes Birkin which have been counterfeited in the market of China via the use of Delphi method in addition to literature review. Delphi method is a professional investigation, it uses the questionnaire method to repeatedly inquire and answer the questions until a consensus has reached among the experts.

### **The selection of Delphi method experts**

The Delphi Method combines the vantages from the discussion of the experts and the traditional questionnaire method, a total of 10 experts should be present at least and it is able to maximize the credibility and minimize the deviation (Rowe, Wright, & Bolger, 1991; You, 1996). In order to ensure the background of the experts as well as the validity of the result derived from the study, the 10 experts invited by this study possess more than 5-year experience in sale of luxury goods, operation of used luxury goods store and appraisalment of branded goods.

### **The design and analysis of Delphi method questionnaire**

The open-ended questionnaire is used in the first phase of questionnaire which is carried out in a liberally fashion which allows the experts of the study to provide any suggestion based on the questions listed by the study. The purpose is to proverbially collect information, and the results obtained from the questionnaires conducted with the experts are collected through the interview or email. As for the second phase of questionnaire survey, the Likert scale is used. The importance of the element which is proposed by the experts can be categorized into the following: 5 as extremely important and 1 as least important. The column of Other is also created so that the experts can offer any correction or suggestion.

For the verification of consensus of the experts and its importance, the questionnaires survey conducted after the second phase are calculated by using EXCEL 2010 statistical software which are mode;  $MO \geq 3$ , mean;  $M \geq 3.5$ , standard division;  $SD \leq 1$ , quartile;  $Q_1 \leq 0.5$ .

## **RESULT AND DISCUSSION**

The first phase of open-ended questionnaire is conducted with the 10 experts in accordance with the question proposed by the study; Take the counterfeit Hermes Birkin sold in the market of China as an example, what are the elements which possess the highest resemblance after comparing the authentic one with the counterfeit one? The result acquired from the 10 experts regarding The elements with the highest resemblance turns out to be a total of 72, and after eliminating 58 repetitive responses, the final result comes to 19 elements (72-53). After the completion of the first phase with the use of open-ended questionnaire of Delphi method, 14 elements are selected as the basis for the second phase of Delphi method.

The Likert scale is used for conducting survey after the second phase. A total of 10 questionnaires are collected and analyzed for the second phase, as a result, there are 10 elements which do not meet

the standard of importance set up by the questionnaire, and there are 9 elements remain (As shown in Table 1).

The study has repeatedly conducted the test until the third phase of questionnaire survey when the consensus of all the experts has reached, 4 of the elements which comply with the mode are selected,  $MO \geq 3$ , mean;  $M \geq 3.5$ , standard division;  $SD \leq 1$ , quartile;  $Q \leq 0.5$ ., so as to verify the consensus of the experts and its importance (As shown in Table 2).

Table 1: The result of Delphi method in the second phase of questionnaire

Element	Appearance	Logo	Contour	Metal Accessory	Tailor	Detail	Zipper	Interior
<i>MO</i>	5.00	5.00	5.00	5.00	5.00	3.00	5.00	4.00
<i>M</i>	4.80	4.70	4.60	4.60	4.80	3.90	4.70	3.90
<i>SD</i>	0.42	0.67	0.84	0.84	0.42	0.88	0.67	0.74
<i>Q</i>	0.25	0.25	0.50	0.50	0.25	2.00	0.25	1.25

Table 1: Continue.....

Element	Smell	Packaging	Seam	Size	Pattern	Color
<i>MO</i>	4.00	4.00	4.00	5.00	5.00	5.00
<i>M</i>	4.20	4.20	3.70	4.90	4.70	4.80
<i>SD</i>	0.63	0.79	0.95	0.32	0.67	0.42
<i>Q</i>	1.00	1.25	1.25	0	0.25	0.25

Table 2: The result of the Delphi method in the third phase

Element	Appearance	Size	Pattern	Color
<i>MO</i>	5.00	5.00	4	4.00
<i>M</i>	4.80	4.70	3.90	4.20
<i>SD</i>	0.42	0.67	0.73	0.63
<i>Q</i>	0.25	0	0.25	0.50

The result of the study shows that by taking the counterfeit Hermes Birkin sold in the market of China as an example, a significant resemblance exists in some details, such as appearance, size, pattern and color, found between the counterfeit Hermes Birkin and the authentic one as what the experts have all agree on, and that has clearly infringed the design patent and trademark law. According to the former Patent Act of Taiwan, the patent was originally under the protection of both Criminal and Civil Law, but after the reform of the Patent Act in October, 2001, the patent is under no protection of Criminal Law, furthermore, in 2003, the Patent Act has decriminalized the new invention and design patent. Since then, there is only civil liability remained for the infringement of Patent Act. In compliance with Article 96 of the Patent Act of Taiwan, the two methods, which can be utilized for civil remedy, are called Disposition and Prevention of Infringement and Damage Claim. However, the right to claim for Disposition and Prevention of Infringement must be, subjectively, the act of intention or negligence and objectively, the impairment or infringement of the invention carried out by the infringer. As for the appeal of Damage Claim, subjectively, it must be the act of intention and negligence to the invention executed by the infringer. The infringement of patent is treated as civil infringement, thereof, according to article 125 of Civil Law, the claim of Disposition and Prevention of Infringement will become extinguished if it is not exercised within 15 years after the time of infringement. As for the appeal of Damage Claim, the right of the patentee will also become extinguished if not exercise within 2 years after the patentee has become aware of the damage and the person liable for the damage, this right shall be extinguished if it is not exercised within 10 years after the time of infringement.

## Conclusion

Initially, the study invites 10 experts for the investigation of the elements which have been forged by the counterfeit Hermes Birkin sold in the market of China, consequently, four elements, appearance, size, pattern and color, have been unanimously identified by the experts as the elements of highly resemblance to the authentic one. The study has proposed the controversial factors for counterfeiting act, additionally, by understanding the Patent Act of Taiwan the definition and criminal liability can be thoroughly interpreted. Since the resemblance in the appearance, size, pattern and color of the counterfeit Hermes Birkin is relatively high, the confusion is easily to emerge among the consumers, all in all, the study believes that the Chinese counterfeit Hermes Birkin has obviously infringed the scopes of the design patent, the authentic Hermes Birkin, which expresses the idea of creativity, ought to be protected under the law. As in Taiwan, the litigation of patent infringement is often carried out by using the penalization, yet, along with the eradication of the criminal liability for patent infringement as well as the courts ruling on unfair competition and the Intellectual Property Act, the patent infringement is eventually protected under the Civil Law and whatever the damage it caused will be compensated on the Civil Law basis.

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