

The perils of attraction

As a brand, it looks as if Playboy has it all. Strong marks and a distinctive logo have made the company a licensing powerhouse. However, this also makes it attractive to counterfeiters

By **Liz Rutherford-Johnson**

If marketing is all about desire, then it is difficult to think of a more covetable brand than Playboy. The magazine was started over 50 years ago by Hugh Hefner in his kitchen and soon became renowned for literary fiction, political insight and, of course, photographs of naked women. These days most of the company's profits come from licensing the PLAYBOY mark and the RABBIT HEAD logo on everything from adult entertainment channels to women's apparel. However, as Ana Cashman, assistant counsel and the head of Playboy's trademark group, points out, there is a downside to all these accomplishments: "I've seen the correlation first hand," she says. "The more successful a brand, the more counterfeiters you're going to have."

Counterfeiting is particularly serious when a business relies on licensing its brand. Playboy's licensing arm has grown exponentially over the last five years, rising from \$200 million in annual retail sales globally five years ago to approximately \$800 million today.

It is perhaps little surprise that losses from infringement have risen sharply within this same period. "Our licensees were telling us: 'We need you as the brand owner to help us protect our markets,'" Cashman says, underlining the urgency of the situation. Playboy's trademark group has responded by ramping up its enforcement efforts, making sure it has good counsel to work with Customs, developing relationships with local enforcement agencies and working out options for litigation around the world. But while the company has scored some

significant victories, it has been unable to stem the flow of fake goods.

Getting it right at home

The six-person trademark group, which is part of Playboy's corporate law department, is based in Chicago. It comprises General Counsel Howard Shapiro, Assistant Counsel Ana Cashman, Trademark Counsel Michelle McCoy, Senior Manager for IP Enforcement Mary Ball, IP Assistant Tatyana Cherkashina and Senior Assistant Tracy Trotter.

The group is responsible for trademarks – about 6,000 active applications and registrations globally – and domain names – again, about 6,000, including a foreign and domestic portfolio with all of the Playboy subsidiaries. The main house marks are PLAYBOY and PLAYMATE, as well as the calendar marks – MISS JANUARY *et al.* These are accompanied by the ubiquitous rabbit head, which is registered in over 200 territories. "I think we have at least one registration in every single class, at least somewhere," Cashman says.

The company is split into two divisions. The media group includes all online, wireless, television and cable, and DVD Playboy properties, while the global licensing group is responsible for licensing the brand on products and location-based entertainment, such as nightclubs. The trademark group works with both sides and with all the groups within those divisions. "Our general counsel has done a very good job of educating everyone in the company," Cashman says. "Whenever our trademarks are going to be used – whether it's in a licence agreement or at a third-party event – everyone knows it has to go through our department." This educational effort has

paid off, as employees and business partners are often able to bring notice of trademark violations to the group's attention.

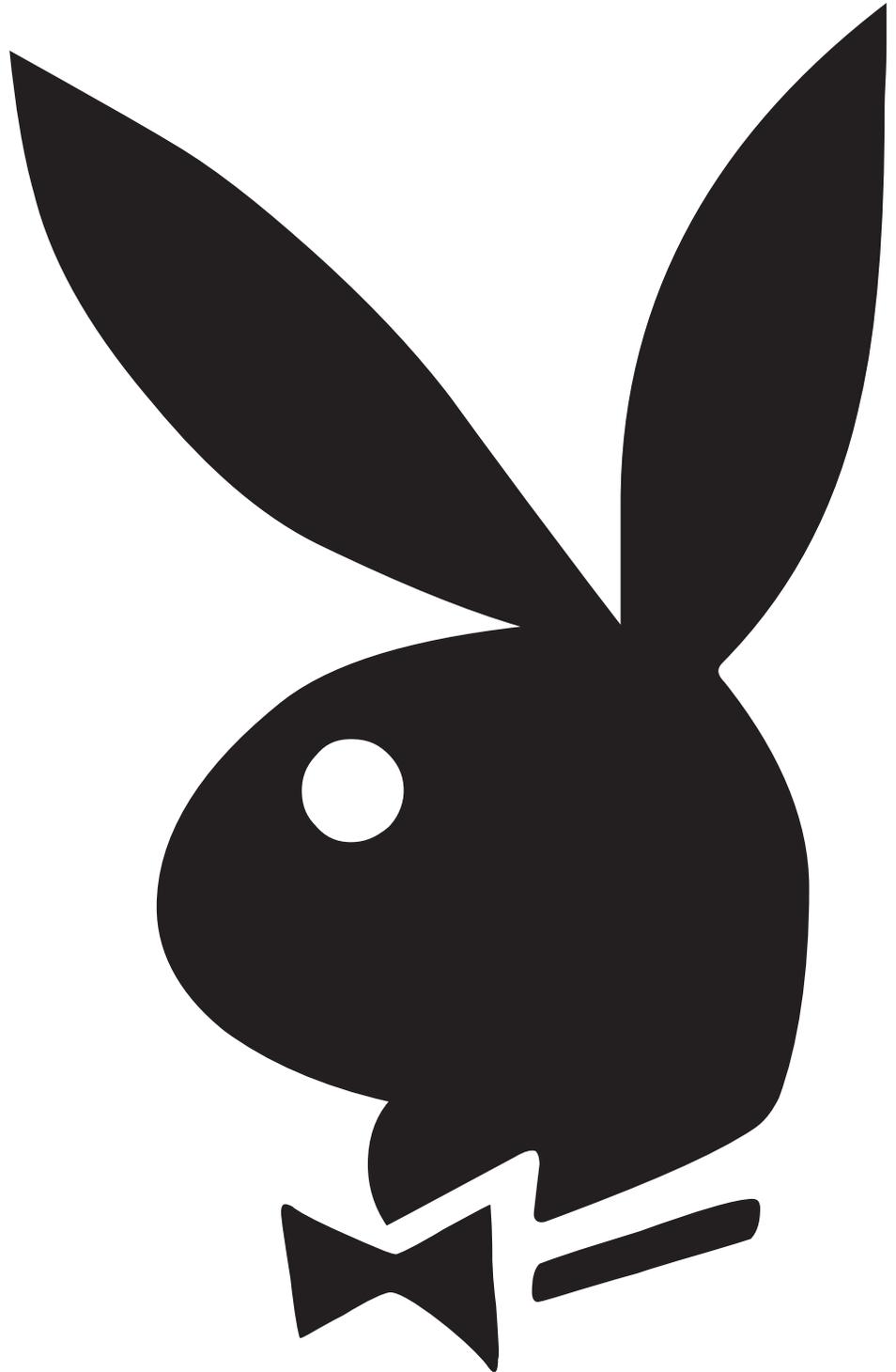
When either licensees or Playboy employees come to the trademark group with a question, the lawyers there do their best to give as full an answer as possible. "Rather than say, 'Here's the trademark credit notice,' or 'This is why you can't use this trademark in this territory,' we really try to explain the reason behind it," Cashman explains. She says that the group often faces searching questions from the company's business people – a challenge she relishes – and gives the example of a third-party restriction in another country. "Our business people will often call us on something like this if it's only going to be a minor use and it's only a limited amount of time." It is then up to the trademark group to explain what the company's risks are and what the legal situation is, and to arrive at a business solution that works. She believes that creativity and flexibility are key to keeping up with evolving law and fast-moving technology. "There aren't cases that set out the law for a lot of the things that we want to do, and we have to be creative while at the same time minimising the legal risks for the company."

Helping hands

While the trademark group handles as much as it can in-house, including oppositions and cancellation proceedings before the US Patent and Trademark Office, the sheer volume of material means that a lot of work is given to outside counsel. For instance, foreign applications are always given to outside counsel on the basis that, as it is on their home turf, they will be able to deal with the matter more quickly. Enforcement, however, is a slightly different matter.

"We try to have a customised approach to each tip that comes across our desk," Cashman explains, "which is a tremendous amount of work." However, the group has learned that this is the only way: simply sending out cease and desist letters or even relying on a standard format for handling tips is just not effective. "So we look at the tip and examine who it is coming from, what jurisdictions and goods are involved, as well as in what quantity, and how important it is." Based on this analysis the group may decide to take action, perhaps issuing a cease and desist letter. If the tip is from a foreign jurisdiction, it may well be sent to outside counsel on the ground to deal with.

This being the case, finding the right outside counsel is critical. "We're looking for



Staying on target

As well as the difficulties presented by enforcement, steering the brand and keeping it focused are a constant challenge. Given that Playboy licenses so widely, the company needs to ensure that the products on which its trademarks appear help maintain the brand image and also display marks appropriately. Licensing a valuable brand for poor-quality or inappropriate goods is a quick way for a brand to lose value. To that end, the trademark group has a set of guidelines to ensure that licensees properly apply Playboy marks.

In addition, the company's licence agreement has strict and specific provisions as to how trademarks can be used. "We try to control as much as we can," Cashman says. "Every time a licensee uses a Playboy trademark, it is run through the trademark group and reviewed by the trademark counsel – this extends not only to prominently displayed marks, but even to hangtags and sewn-in labels on clothing, as well as any advertising."

In addition, licensees work closely with Playboy's design groups to make sure that the rabbit head is appropriately displayed. "Licensees need to submit a prototype to us at every stage in development," Cashman says. This means that if the rabbit head does not look quite right the design team can work with the licensee to modify it straight away.

Another, more pervasive responsibility is connected to the marketing of Playboy-branded goods. When asked whether the brand has come under pressure for products that might appeal to children because of its association with adult entertainment, Cashman explained that Playboy products are intended for and marketed to adults and not minors. However, she acknowledges that this is difficult to enforce.

Yet despite the company's attempts to make clear that its products are for adults only, this is a tricky distinction. The brand is all about desire and children can pick up on this even if they are not being directly targeted. In 2005, for example, a London branch of retailer WH Smith was picketed by schoolgirls protesting the sale of Playboy-branded stationery.

someone that's very pro-enforcement and has a good relationship with Customs," says Senior Manager for IP Enforcement Mary Ball. She explains that if she starts to receive infringement notices from customs agents in a new country, the group will often ask outside counsel in bordering countries for recommendations, knowing that – particularly in the European Union – there is crossover between jurisdictions. Cashman also emphasises the benefit of personal referrals: the group often asks other brand owners for recommendations. "We are looking for attorneys who are creative in prosecution and who will be partners to us and understand our business goals," she explains. "I would say references are the best source for us."

Ball will usually try out new counsel with a couple of test cases before signing them on. "We need to know that they understand the difference between four counterfeit belts carried by a person through an airport and a storage unit full of product coming through a main border," she says. "We want to see that they can make the call, using our dollar more effectively."

Cashman points out that the old saw about responsiveness – still, it would seem, the number-one priority for in-house counsel – is more crucial than ever in Playboy's line of business. "Very often the legal department will hear about things at the last minute. We need a very quick response from our outside counsel." Ball adds that this is especially so given the time difference between most foreign jurisdictions and the United States. "Some of the firms we use are relatively small," she points out. "But they are very responsive, which we appreciate."

Party animal

While counterfeit products are a major problem for Playboy, Ball describes how infringing events also fall under the group's purview – and can be even more of a headache. An example of such an event would be a nightclub holding a Playboy party, where guests are invited to come in their pyjamas, *à la* Hugh Hefner. This might seem like harmless fun, but Ball does not agree. "They want to use our marks in such a way that people might mistake it for a Playboy event," she argues. At a recent event in Croatia, organisers claimed to have Playboy photographers in attendance. "Of course, that's very problematic for us," Ball says. This type of enforcement is particularly difficult because of the time pressure. It is not uncommon for Ball to receive a tip-off

the day before an event – sometimes on the day itself.

Twenty-four hours usually gives Ball enough time to track down a representative from the venue, which is often unaware that it is about to be party to a trademark infringement. She then works with the venue either to shut down the event or to ensure that any marketing featuring the Playboy marks is removed. "As part of our cease and desist letter we also ask venues to post a sign letting everyone know that this event is not sponsored by or affiliated with Playboy," Ball explains. However, even if Playboy misses the party, promoters should not think they have escaped. "If it's too late to go after the event, we do try to send an investigator so that we can pursue the matter," says Ball. "We have, unfortunately, had to file lawsuits for large-scale events where either we were unable to get hold of the organiser in time or they did not comply with our demands."

Looking east

An even bigger concern than infringing events, however, is the growing problem of counterfeit products. Cashman says that it is no coincidence that the issue is most severe in China and Turkey, both manufacturing hubs. In response, the trademark group has worked hard to develop good relationships with the various Administrations for Industry and Commerce (AIC) and the Public Security Bureau, as well as with Customs at all ports in China and Hong Kong.

In addition to working with local counsel to help with AIC raids, the trademark group makes sure to file oppositions to any third-party marks that are similar to Playboy's. "Infringers will often register a trademark that is similar to ours," Cashman explains. "Then when the AIC turn up, they show them the piece of paper with the registration." Even though the registered mark will be different from the mark on the counterfeit products, the similarity can be enough to confuse agents.

Playboy seems to have absorbed the first lesson for addressing counterfeiting in China – that a multi-pronged approach is best. "It's such a big country and it's such a big problem, but I think we're doing the best we can," Cashman sighs, highlighting that what might be considered unacceptable in one jurisdiction can count as a win in China. The trademark group reads as much as it can and exchanges experiences with other brand owners and attorneys in all jurisdictions. "We are constantly asking ourselves: 'Is there

something we're not doing or we could be doing better?" she says. Both Cashman and Ball believe that things are getting easier for brand owners as the Chinese government begins to pay serious attention to the situation. "Foreign brand owners have realised that the Chinese government has taken proactive steps to update its laws and legal procedures for going after counterfeiters," Cashman says. However, despite welcome signs of a sea change in the government's attitude, brand owners still have to address increasingly sophisticated counterfeits. "We've seen cases where they've copied our holograms with numbers that could be our own serial numbers," Cashman says. Playboy employees on the ground are able to check suspect products against its design-approval database. Otherwise they have to go right down to the details, closely examining the language of the care label and any serial numbers in order to identify the fakes from genuine products.

However, progress is on the horizon. The Playboy trademark group is gearing up for a big case which, it hopes, will make a real difference. While she cannot divulge details, Cashman says that it involves a common pattern in China and Hong Kong. An organisation will register company names with the Hong Kong Companies Registry that are confusingly similar to Playboy's marks:

this provides it with sufficient genuine paperwork to throw local enforcement agents off the scent. It then goes to China and starts manufacturing high-quality counterfeit goods that are distributed all over the world. "Our goal is to get a good decision and stop these people, and that's it," Cashman says. "While it would be very nice to get money, we're realistic about the financial outcome."

One step ahead

There is no doubt that the Playboy trademark group is facing a great many challenges in the future. Ball believes that as location-based entertainment continues to grow, there will be an increase in unauthorised events. Meanwhile, counterfeiting – in China and elsewhere in the world – is not going away. Cashman predicts that infringing goods will become more and more sophisticated, making it even harder to spot the fakes. Mounting costs are another consideration: "Where we're active we're successful, but it costs a lot of money to be successful."

After more than 50 years representing desire, perhaps it is inevitable that the Playboy marks should be especially attractive to criminals. However, staying realistic and being prepared to adapt to new challenges will ensure that Playboy continues to make progress in its fight against the counterfeiters.

Below

The Playboy trademark group

From left to right: Mary Ball, Tatyana Cherkashina, Ana Cashman, Michele McCoy, Tracy Trotter and Howard Shapito (not pictured)

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