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## TEMPLARS ThoughtLab

# Securing Legitimacy: Anti-Counterfeiting Strategies for Brand Owners in Nigeria

## Introduction

### Overview of Counterfeiting in the Nigerian Market

The Nigerian media was recently awash with reports of counterfeiting of a popular condiment. The counterfeits appeared to be so widespread that very few people had the original product with reputable retailers reportedly selling counterfeits. This has sparked renewed debates around the menace of counterfeiting which has plagued the Nigerian market from time immemorial.

A counterfeit is a product which is deliberately and fraudulently mislabeled or packaged to assume the identity/source of the original. It is often very similar or nearly identical to the first generation (authentic) product which it mimics and is often difficult to differentiate, at a glance, from the original. In Nigeria, counterfeiting is prevalent and generally targeted at products in high demand – such as fast-moving consumer goods and pharmaceuticals.

The proliferation of counterfeit products in Nigeria is due to a number of factors. First, counterfeiting is a relatively low-investment high-yield criminal enterprise. Unlike genuine manufacturers, counterfeiters have no goodwill to protect and no promotional costs to incur, as they take advantage of established reputations of first-generation products. As a result, they have the capacity to mass produce counterfeit products for sale at very competitive prices. Also, the relatively low purchasing power of an average Nigerian consumer means that people often place pricing considerations over quality and are thus more likely to purchase products offered at lower prices, especially where this translates to perceived access to products which they would otherwise not be able to afford. The apathy of most Nigerian consumers toward authentication of products contributes to the problem.

For most Nigerians, the impact of counterfeiting appears too remote to pay particular attention and the lack of regulatory capacity to effectively respond to counterfeiting contributes in no small measure to the problem.

## **The Impact of Counterfeiting on Businesses, Consumers, and the Economy**

Counterfeiting has reputational and financial impact on businesses and many counterfeit goods are of questionable quality, and some are downright harmful to consumers. The average consumer who cannot tell the difference between the first-generation products and their counterfeits may then attribute the subpar qualities to actual manufacturers. This negative attribution lowers the reputation of a business that it painstakingly took time to build. Upon becoming aware of counterfeiting of a product, consumers may stop purchasing the product altogether for several reasons – such as protecting their health.

The negative effect on brand owners may take the form of negative reviews/trolls against their products. In one brand owner's case, aggrieved customers who had unwittingly purchased low quality counterfeits left several negative reviews about the original product on the internet; thus, decimating the brand's sales revenue.<sup>1</sup> . The implication is that many brand owners do not publicly admit the presence of counterfeits amongst their products. They would rather surreptitiously fight counterfeits through legal means that are not generally advertised than publicizing the existence of fake products masquerading as theirs. Furthermore, brand owners simply cannot compete with the prices at which counterfeits are sold. Thus, they end up losing significant market share of their products to counterfeiters.

For consumers, counterfeiting often results in the dissatisfaction of being denied the experience anticipated from the purchase and use of original goods. There are also significant health and safety concerns associated with counterfeits since they are not subject to any safety regulations. In Nigeria, for instance, there is an alarmingly vast market for counterfeit medication, which have repeatedly resulted in the deaths of unsuspecting consumers.

Overall, counterfeiting impacts negatively on the economy of any country that allows it to fester. The loss of legitimate revenue translates to lost taxes and stifled innovation. Public health and safety crises result from the proliferation of harmful counterfeits, and public funds are allocated to manage such crises. Ultimately, everyone, but the counterfeiters, pays a price.

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<sup>1</sup> Forbes, Fuse Chicken Vs. Amazon Is The David Vs. Goliath Lawsuit To Watch In 2018, (14 January, 2018), <https://www.forbes.com/sites/wadeshepard/2018/01/14/fuse-chicken-vs-amazon-is-the-david-vs-goliath-lawsuit-to-watch-in-2018/?sh=5fe4341e5115>, Accessed 2 February 2024.

## The Legal Framework for Anti-Counterfeiting in Nigeria

Presently, there is no uniform legislation for anti-counterfeiting in Nigeria. However, different laws address various aspects of anti-counterfeiting enforcement:

- The Trademarks Act;<sup>2</sup>
- The Merchandise Marks Act;<sup>3</sup>
- The Patents and Designs Act;<sup>4</sup>
- The Counterfeit and Fake Drugs and Unwholesome Processed Foods (Miscellaneous Provisions) Act;<sup>5</sup>
- The Counterfeit Currency (Special Provisions) Act 1974;
- The National Agency for Food and Drug Administration and Control (NAFDAC) Act;<sup>6</sup>
- The Nigeria Police Act;<sup>7</sup>
- The Federal Competition and Consumer Protection Act 2018;
- The Nigeria Customs Service Act 2023;
- The Standards Organisation of Nigeria Act 2015; and
- The Cybercrime (Prohibition, Prevention, etc) Act 2015.

## Anti-Counterfeiting Strategies for Brand Owners in Nigeria

In light of the foregoing, it is important for brand owners to adopt comprehensive anti-counterfeiting plans which are more proactive than reactive. Such a plan will require the inclusion of some or all of the following strategies:

### a. Comprehensive Intellectual Property (“IP”) Protection

As a first step to combating counterfeiting, brand owners should maintain a detailed IP portfolio. They must obtain all the relevant IP protections; trademark registration for brand names, words, phrases and logos, patents for inventions and design registration for industrial designs. It is important to note that IP protection is typically limited to the jurisdiction in which an IP right holder has obtained registration. Thus, brand owners who obtain IP registration in other jurisdictions will need to do the same in Nigeria. The Trademark, Patents and Designs Registry, which is overseen by the Federal Ministry of Industry, Trade and Investment, has the responsibility to receive, assess, and where applicable, approve applications for the registration of trademarks, patents and designs.

The benefit of IP registration is the formal right to exclusive ownership and use which it confers on the right holder. In some cases, this may be sufficient to deter unauthorized duplication, and in instances where it is not, the right holder has the right to institute a civil action against the unauthorized user for infringement. In addition to civil suits, counterfeiters may face criminal charges under relevant IP legislation. We should mention that brand owners who have not obtained trademark registration may institute civil suits for the tort of passing off, typically in order to benefit from the latter's goodwill. This offers protection for brands without trademark registration. However, it would be prudent to

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<sup>2</sup> CAP T13 Laws of the Federation of Nigeria (“LFN”) 2004.

<sup>3</sup> CAP M10 LFN 2004.

<sup>4</sup> CAP P2 LFN 2004.

<sup>5</sup> CAP C34 LFN 2004.

<sup>6</sup> CAP NI LFN 2004.

<sup>7</sup> CAP P19 LFN 2004.

obtain trademark registration to ensure protection to the fullest extent offered by law.

## **b. Embracing Technology for Authentication**

Beyond IP registration, brand owners must explore protective technological measures in their anti-counterfeiting campaigns. There are currently several anti-counterfeiting solutions which utilize various methods to discourage counterfeiting by making it easier for consumers to distinguish between authentic and counterfeit products. They include holograms, watermarked packaging, Radio Frequency Identification (RFID) tags, quick response codes, barcodes and Near Field Communication (NFC) tags.<sup>8</sup> For instance, pharmaceutical companies in Nigeria often equip their products with adhesive labels which consumers can scratch off to reveal verifiable codes.

## **c. Supply Chain Vigilance**

The supply chain refers to the network or system that deals with the movement of products in various stages, from manufacturer to consumer/end-user. Counterfeiters take advantage of weak links in brand owners' supply chain management to slip in counterfeit products. Thus, it is important for brand owners to implement measures to carefully monitor the processes, persons and organisations involved in the supply chain (including distributors and wholesalers) to minimize loopholes. These measures include using identifiers such as unique codes and serial numbers to improve product traceability, ensuring that product packaging is secure and tamper-proof, instituting clear monitoring and reporting systems for timely identification of counterfeits, and stakeholder orientation.

## **d. Collaboration with Law Enforcement Agencies**

A major factor responsible for the prevalence of counterfeiting in Nigeria is the limited regulatory enforcement of relevant laws. Regulators, such as the NAFDAC, are constantly engaged in anti-counterfeiting campaigns. However, the effectiveness of such efforts can be substantially improved with stakeholder involvement. Brand owners should establish and maintain strong partnerships with regulatory agencies. Such collaborations can yield benefits such as improved information sharing, joint investigations and enforcement measures, contribution to proposed anti-counterfeiting legislation, and support for capacity building initiatives for staff of regulatory agencies. In this manner, brand owners can leverage on the expertise and authority of the regulatory agencies to improve the efficacy of their anti-counterfeiting campaigns.

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<sup>8</sup> Collectid, What is the Best Anti-Counterfeit Technology in 2023?, (12 January 2023), <https://collectid.io/what-is-the-best-anti-counterfeit-technology-in-2023/#:~:text=Use%20anti%2Dcounterfeiting%20technologies%3A%20There,counterfeiters%20to%20replicate%20your%20products,> Accessed 4 February, 2024.

## e. Consumer Education

In addition to the foregoing, consumer attitudes are another crucial factor responsible for counterfeiting in Nigeria. Counterfeiters rely on the assumption that an average Nigerian consumer is either not careful enough to verify the authenticity of products or is consciously purchasing counterfeits due to their perceived affordability, ignorance of any associated health and safety risks and general apathy towards the effects of counterfeiting. Thus, it would be beneficial for brand owners to drive activities aimed at consumer re-orientation.

### **International Best Practices: Effective Anti-Counterfeiting Measures Adopted in Other Jurisdictions**

In **Italy**, the high number of street vendors and influx of imported products translated to a growing counterfeiting problem. The legislative response was to enact stringent anti-counterfeiting legislation. The Italian penal code extends the liability for counterfeiting to consumers, criminalizing the intentional sale or purchase of counterfeit goods. The punishment includes imprisonment for up to four years and fines ranging from \$4,850 to \$48,500, albeit stricter penalties applied for the importation of counterfeits into Italy. The country's customs system was also reformed to ensure more effective border controls to curb the influx of counterfeits. The authorities also implemented an automated database which could be updated by brand owners and consumers, and the Italian **France** is another country whose anti-counterfeiting stance is worthy of note. The country, faced with the task of protecting its luxury brands, enacted legislation criminalizing the purchase and even the possession of counterfeits. Penalties are as high as \$373,140 or up to three years' imprisonment. Its customs was empowered with extensive powers to investigate, search and seize counterfeit items at the country's ports of entry and in marketplaces. In 2012, the Comité Colbert, an organization made up of key members of the French luxury industry, partnered with the French National Anti-Counterfeiting Committee to set up an advertising campaign in French airports to inform the public about the penalties applicable to counterfeiting.<sup>9</sup> The campaign included phrases such as "Buy a fake Cartier, get a genuine criminal record" above pictures of wristwatches made by the luxury Cartier brand. This way, the French public, as well as tourists were quickly apprised of the country's position on counterfeiting.

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<sup>9</sup> World Trademark Review, "Responding to the Hidden Threat: How Luxury Brands are Fighting Back Against Counterfeiting", (February/March 2014), [https://www.cov.com/~/-/media/files/corporate/publications/2014/02/responding\\_to\\_the\\_hidden\\_threat\\_how\\_luxury\\_brands\\_are\\_fighting\\_back\\_against\\_counterfeiting.pdf](https://www.cov.com/~/-/media/files/corporate/publications/2014/02/responding_to_the_hidden_threat_how_luxury_brands_are_fighting_back_against_counterfeiting.pdf), Accessed 5 February 2024.

## Conclusion

The following are recommended for Nigeria:

- Enact and enforce a specific counterfeiting legislation that will be wide enough to contain all forms of counterfeiting with punishments severe enough to deter counterfeiters from the illicit business;
- Deploy the use of technology to aid information gathering and dissemination;
- Encourage cooperation between brand owners and regulatory agencies to achieve the common goal of eliminating counterfeiting; and
- Promote public awareness and education through consistent and nationwide campaigns.

**TEMPLARS' Media, Entertainment, Technology, Intellectual Property and Sports (METIS) practice group has extensive experience in anti-counterfeiting campaigns across Nigeria and Ghana. If you require our anti-counterfeiting investigation, advisory and enforcement services kindly contact us at [info@templars-law.com](mailto:info@templars-law.com).**