

Litigator of the Week: Nabbing the Counterfeiters for 5-Hour Energy

By **Ross Todd**

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When officials at Living Essentials LLC became aware in 2012 that someone was producing fake bottles of their sole product—the popular, intensely caffeinated liquid supplement 5-Hour Energy—they turned to Geoffrey Potter and his team in the anti-counterfeiting practice at Patterson Belknap Webb & Tyler.

In retrospect, that was a good call.

On Monday, a federal jury in San Jose returned a guilty verdict against two central figures in a counterfeiting ring that produced and sold millions of bogus bottles of 5-Hour Energy. Six other defendants have pleaded guilty as part of the prosecution led by Assistant U.S. Attorneys Matthew Parrella and Susan Knight in San Jose.

The criminal convictions cap a four year odyssey that began with a customer tip. Although Potter had no role in the criminal trial, the groundwork laid by his team at Patterson Belknap and a group of private investigators at Kroll was pivotal to the prosecution.

“The great thing about the government winning a criminal conviction is that it profoundly changes the counterfeiters risk-versus-reward calculation,” said Potter, a New York-based lawyer who’s previously represented the makers of Trojan condoms, Head & Shoulders shampoo, and Reynolds Wrap aluminum foil in anti-counterfeiting efforts. Potter said that while civil judgments are often seen as a cost of business for counterfeiters, the prospect of spending years in prison on felony charges could be a “real deterrent.”

Shortly after Living Essentials became aware that there were fakes on the market in the fall of 2012, Potter and his team prepared to file suit under the anti-counterfeiting provisions of the Lanham Act. The federal statute gives victims of counterfeiting access to search and seizure tools usually reserved for law enforcement. “You can’t fool around with discovery when discovery is conducted through seizure,” Potter said.

With Hurricane Sandy closing in on the East Coast in late October 2012, Potter sent members of his team to San Francisco and filed two parallel civil actions in federal courts in the Eastern District of New York and the Northern District of California to ensure that the company’s efforts could move forward quickly regardless of any weather-related court closure. The team quickly won emergency court orders that allowed them to depose buyers and sellers of the fakes to track down their source. Within three weeks of filing suit, they tracked down the ring’s production facility in San Diego and shut it down.



Photo: Allan Shoemaker

Geoffrey Potter of Patterson Belknap.

During the criminal trial, federal prosecutors described how untrained day workers mixed the fake 5-Hour Energy in plastic vats before putting it in counterfeit bottles which included the copyrighted label warning: “CAUTION: Contains about as much caffeine as a cup of coffee.” Jurors were also shown pictures of the filthy, vermin-infested warehouse where the fake bottles were stored.

Potter said that the operation had all the hallmarks of a criminal undertaking: There were transactions involving shopping bags full of cash and exhortations to not discuss things in writing. And when members of the ring referred to the fake 5-Hour Energy in internal communications, they called it “michelada,” the name of a Mexican beer cocktail.

“When you use a code word to refer to what you’re doing, it’s yet another indication that you knew what you were doing was illegal,” Potter said.

In March of this year, after three years of hard-fought litigation, Living Essentials won a judgment of more than \$20 million against certain members of the ring. Others previously settled with Living Essentials. Though the settlement amounts are confidential, Potter said they are perhaps the largest ever recovered in an anti-counterfeiting action.

Potter said that the cost to his clients for the whole effort has far out-stripped the value of the more than 3 million counterfeit bottles seized.

“The purpose of this was to protect the customers and the brand,” Potter said. “All counterfeiting is theft and all the counterfeiting is bad for a whole host of reasons. But if you could pick one type of counterfeiting that warrants criminal prosecution, it would be counterfeiting anything that people ingest.”

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