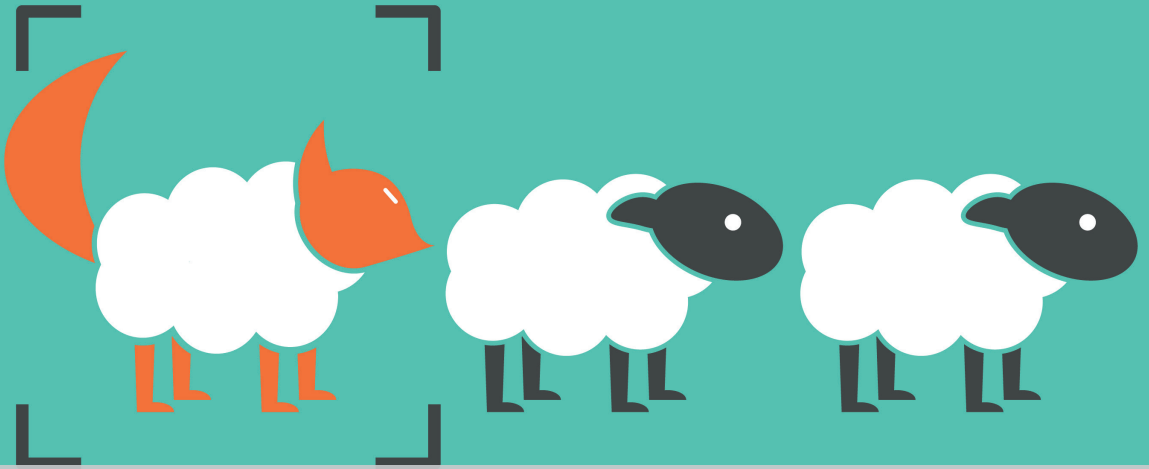


Anti-counterfeiting and Online Brand Enforcement 2021



Industry Insight

Brooks Kushman

Robyn Lederman, Amy Leshan, Dustin Zak and Thomas Cunningham

A Global Guide

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A practical guide to anti-counterfeiting resources in the United States

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Knock-off and counterfeit goods have long plagued legitimate business – a problem that continues today. A report from the Department of Homeland Security in January 2020, indicated a 154% increase in counterfeit trade internationally, a jump from approximately \$200 billion in 2005 to \$509 billion in 2016. The movement from bricks-and-mortar shopping to e-commerce has been accelerated by the global covid-19 pandemic. The benefits that made e-commerce shopping a first choice during the pandemic (eg, contactless transactions and direct-to-home shipping) also offer anonymity, which cultivates abuse. For example, at least one business association reported that one out of every five products sold online is fake.

As consumer preference for transacting business in the digital world continues to grow, the repercussions and need for a rigorous brand-protection programme must be addressed. The primary weapon against knock-offs, including in the e-commerce arena, continues to be prudent and deliberate IP protection. In recognition of the role that intellectual property plays in brand enforcement, many e-commerce platforms such as Amazon have implemented programmes to resolve IP disputes. Accordingly, businesses and their counsel should be apprised of the latest developments and some of the anti-counterfeiting mechanisms available.

Preparation

Successful brand-protection programme

This is an obvious step for larger enterprises, but small to medium-sized businesses that do not have the luxury of dedicated in-house IP counsel are often forced to do IP enforcement in an *ad hoc* manner and scramble to get the proper protections in place after the infringing activity occurs. To avoid this, carefully track, organise and regularly evaluate trademark, copyright and patent protections, including both registered rights and common law material.

Special government programmes related to covid-19

Rights holders should consider whether they qualify for any special programmes with the USPTO for matters related to covid-19. For example, there are expedited examination procedures available for trademarks and patents related to covid-19 products. Ownership of a valid trademark or copyright registration or issued patent is often a prerequisite for anti-counterfeiting assistance from government authorities or online enforcement programmes.

Online enforcement

Global retail sales exceeded \$23 trillion in 2020 and the portion attributed to e-commerce is growing rapidly each year. For example, in the United States, e-commerce sales increased from approximately 14.4% of retail sales in 2018 to 15.8% in 2019, and the global pandemic further



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Robyn Lederman is a skilled trademark lawyer who has devoted herself to representing local and international clients in all aspects of managing and building global trademark portfolios. She works with in-house clients to help legal, marketing and business development teams achieve cost-effective strategies to build and protect brand value.

Ms Lederman works tirelessly to devise effective global trademark filing and brand-protection strategies, including planning for defensive and emerging markets; recording, training and seizure programmes with US and global customs authorities; considering trade dress and copyright protections; watching trademark registers for conflicting marks to prevent dilution; online marketplace and social media takedowns; domain name recovery actions; and implementing construction and demolition programmes. She has a track record of building reliable networks of long-standing local counsel relationships around the world.



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Amy Leshan's practice encompasses a broad range of IP matters, focusing on enforcing IP rights inside and outside of the courtroom. She works with clients to develop and implement online and offline IP enforcement strategies – sending cease and desist letters or reporting infringing activity to online marketplaces, internet service providers and payment processors. When clients need a larger scale approach, she works with them to set up streamlined technical solutions incorporating AI and automated procedures. Ms Leshan also has experience with TTAB matters, clearance searches and opinions, as well as prosecuting trademark applications.

Ms Leshan has developed a network of contacts and works closely with federal agencies and law enforcement groups to develop cases against criminal offenders. She has also set up programmes to strategically register intellectual property with US Customs and customs offices around the world to stop counterfeit goods from crossing international borders.

hastened the growth of online sales to 21.3% in 2020. This unprecedented growth has created a fertile environment for counterfeit goods.

Amazon

As e-commerce continues to grow, to protect your brand you should focus on Amazon – the king of e-commerce – which exceeded \$234 billion in sales in 2020.

Brand Registry: An important first step for rights holders is to join Amazon's Brand Registry. IP infringement reports may be submitted to Amazon via an online form. However, Amazon takes infringement reports submitted from a Brand Registry account more seriously than the reports submitted to its public reporting page because Amazon verifies details submitted about the brand



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Dustin Zak is a registered patent attorney who focuses his practice on the prosecution of patent applications and patent litigation. He is also a member of the online enforcement and anti-counterfeiting practice group at Brooks Kushman, which implements unique strategies to protect clients' intellectual property in the growing digital marketplace. Mr Zak frequently participates in Amazon's Patent Neutral Evaluation programme.

Before joining Brooks Kushman, he spent five years gaining technical experience as an R&D chemist at an automotive OEM supplier and in the automotive after-market refinish industry. He formulated, developed and launched various products globally, equipping him for matters involving the chemical and materials arts. Prior to working as a chemist, Mr Zak obtained a degree in polymers and coatings technology.

and its intellectual property in advance of the takedown submission. The setup for the Brand Registry must be done by the brand owner, but once the account is established, the brand can add delegates, such as outside attorneys, who can submit reports on their behalf.

Participation in the Brand Registry also allows brands to take advantage of other Amazon programmes. Amazon has an IP

Accelerator for sellers wishing to speed up qualifying to sign up for the Brand Registry and to gain enhanced safeguards through Amazon, including Amazon's Project Zero, which provides additional protection against counterfeits. Project Zero activates Amazon's machine learning to proactively remove counterfeits, allows some self-service removal of counterfeit listings and provides for product serialisation to confirm authenticity of the rights holders' goods.

Utility Patent Neutral Evaluation: Patented technology can be at the core of a brand or create a window of exclusivity where consumer recognition can be achieved. Amazon's Patent Neutral Evaluation programme provides a powerful tool to resolve quickly and efficiently disputes regarding US utility patents arising from Amazon listings. The Patent Neutral Evaluation proceeding can be completed in less than three months and offers injunction-like relief. To initiate a proceeding, a patent owner must assert a single claim against one or more Amazon standard identification number (ASINs). Participation requires a \$4,000 deposit from each party, which may be returned to the winning party. The proceeding consists of the patent owner's initial brief and the accused seller's response brief. The patent owner also has the option to file a reply brief. If the offending party does not agree to the process, the objectionable listings are removed.

The length and scope of briefs are strictly limited. The patent owner can submit 20 pages of briefing between the initial and reply briefs and each accused seller is limited to 15 pages in a single response brief. The proceeding also limits defences to non-infringement and a more limited on-sale bar (the on-sale bar is a limitation on patentability, such that a patent should not be obtained or is invalid if the claimed invention was offered for sale or on sale more than one year before the effective filing date of the patent application). If parties settle, the proceeding may be terminated and if the patent owner prevails, the ASINs will be removed from the Amazon platform. The proceeding may be particularly relevant when overseas knock-off goods flood the online market. It can also be relevant if you or your business choose not to participate in the



The best tactic is to be proactive – register your intellectual property!

Amazon platform. For example, a careless or greedy competitor may target your product because it has an opportunity to be the first to bring it to the Amazon platform. Regardless of your business strategy or situation, a thorough understanding of this process may help you navigate the continued growth of e-commerce.

Black hat tactics: As retail continues to adapt to online or digital sales, the profits and anonymous nature of online transactions facilitate abusive business practices. On Amazon, these abuses have become known as ‘black hat tactics’ and include practices such as consumer review manipulation, fraudulent reviews, changing pack sizes, listing sabotage, hijacking or co-opting listings, catalogue manipulation and even false infringement allegations. Too often companies and businesses undervalue the risk that these abuses pose, or they fail to become aware of such tactics until becoming a target. However, black hat tactics can damage a company’s reputation, turn away customers and cause unnecessary frustration and expense.

The best tactic is to be proactive – register your intellectual property! For example, Amazon’s Brand Registry requires a US registered trademark. Once registered, a user has greater control over its listings, and its complaints receive more responsive action from Amazon. Likewise, a US utility patent allows for participation in Amazon’s Patent Neutral Evaluation procedure. At a minimum, registered intellectual property demonstrates to an infringer that you are a sophisticated party with dedicated resources to protect your reputation and technology. Registered intellectual property may also be the foundation for a legal cause of action or provide favourable legal presumptions. Even a rudimentary approach may keep your business or client out of the crosshairs because less prepared businesses are easier targets.

For those that elect not to be proactive or are unaware of the risks, other options for response are available and may still include registering intellectual property after the fact. Reporting abuse or filing complaints of infringement through a mechanism that does not require registered rights may be available. However, such mechanisms are plagued by reviews of less than satisfactory or delayed outcomes. For the most egregious abuses, litigation may be the best solution. For example, traditional business torts and claims under the Lanham Act may provide a mechanism for relief; however, not all unethical acts are unlawful. Further, many of these legal theories are not well tested in the context of e-commerce abuse, which may increase unpredictable outcomes and expense. The additional risk associated with the novelty of these issues may be mitigated through settlement, and for anonymous bad actors, a default judgment may encourage satisfactory action from Amazon.

Other online marketplaces

Most other online marketplaces have procedures for removing infringing and counterfeit items, provide a contact for Digital Millennium Copyright Act reports, or have a designated contact to receive IP infringement reports. In general, if an online marketplace has an established procedure to report infringement, it tends to take prompt action in response to an infringement complaint (takedown request).

eBay was one of the earliest platforms to establish an online reporting tool. Its Verified Rights Owner programme (Vero) set an early standard for online marketplaces. As with Amazon, brand owners submit details about their intellectual property and goods to join the Vero programme. As rights holders discover counterfeit listings, they sign in through the

Vero tool and report such listings. Infringing listings are generally removed within 24 to 48 hours. Other online marketplaces, such as DHGate, Offerup, Alibaba and Etsy, among others, have established similar reporting procedures. Some marketplaces allow for a counter-notice to be submitted if the seller objects to an infringement report, while some allow a response to the counter-notice.

Social media

Most established social media outlets have procedures for reporting infringing content. For example, a simple online form is available to report infringement on Facebook/Instagram, YouTube, TikTok and Spotify.

Websites

A cease and desist letter or email to the contact provided on a given website that offers infringing or counterfeit goods is often effective to remove the objectionable material. In some cases, when there is an unsatisfactory response or no response at all, there are other options to consider.

Payment processors: If a website offers goods for sale, it is using a payment processor. Paypal is one of the most common processors and has an established procedure for reporting infringement. If successful, Paypal will disable the infringer's ability to make payment transactions. The site may remain active but the inability to effectuate sales places pressure on the website owner to cooperate. Most payment processors have infringement reporting procedures (eg, Visa, American Express and Square). It may be necessary to submit reports to multiple processors to ultimately achieve compliance.

ISPs and registrars: Internet service providers (ISP) host websites and registrars manage domain names. When a website owner signs up for these services, the user agreement, acceptable-use policy or terms and conditions for service, usually prohibit the website owner from infringing the IP rights of others. A notice to the ISP and/or registrar may result in the deactivation of the website. Some ISPs also have reporting procedures (eg, GoDaddy has an online form for reporting trademark and copyright infringement).

Domain names – UDRP actions

The UDRP is a procedure for the resolution of disputes related to domain names. It is employed where a registrant uses a trademark in its domain name without authorisation (eg, cases of cybersquatting and typosquatting). A UDRP action seeks to recover the domain name when a registrant fails to hand it over in response to a cease and desist letter. A UDRP complaint is filed with a neutral third-party forum that arbitrates domain name disputes. A typical UDRP action takes approximately 60 to 90 days from filing to resolution. The complaint is filed and checked for compliance with the rules. When the complaint is found to be acceptable, the clock starts for respondent to file a response. After a response is filed (if a response is filed), an optional additional submission may be filed by either party. Following that, a panel (single-member or a three-member panel, depending what is selected at the outset) is assigned, the case is reviewed and a decision issued.

US Customs and Border Protection – records and training

The US Customs and Border Protection (CBP) has the power to seize counterfeit goods



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entering the United States. In order to take advantage of this procedure, rights holders can record their trademark and copyright registrations to make them available to CBP officials across the country. This is a relatively inexpensive process. The official filing fee is \$190 per mark, per international class of goods. The renewal fee is \$80 per mark, per class of goods. Recordals are active as long as the underlying registration is active and are renewed when the trademark registrations are renewed, every 10 years. Select details of the recordal are available to the public and can be reviewed online at the CBP's Intellectual Property Rights Search.

Rights holders may also prepare brand protection guides and perform in-person training for CBP officials. The CBP faces a great challenge to recognise counterfeit goods among the high volume of shipments that cross US borders daily. It is incumbent on rights holders to put the CBP in the best possible position to readily identify counterfeit goods. To assist rights holders, the CBP provides a template for brand protection guides. Training can be conducted in person at ports of entry or via a webinar that is made available across all ports.

Criminal action initiated by government authority

Government authorities are most likely to take action when there is a large volume or high dollar amount of counterfeit goods, or when there is a health or safety risk to the public from the counterfeit goods. For best results, it is important to provide government officials with the infringer's background and their history of infringement along with samples of the counterfeit goods and a copy of the relevant trademark and/or copyright registrations. If you do not have a law enforcement contact,

the National Intellectual Property Rights Coordination Centre is a good place to start.

The government runs criminal enforcement and litigation. Investigation and any eventual prosecution do not necessarily follow the aggrieved party's timeline, and the rights holder may not be informed of the progress of the criminal action.

Comment

As e-commerce and online sales continue to grow, it is important to stay abreast of the mechanisms to protect against knock-off goods and counterfeits. As e-commerce platforms adapt and evolve to tackle the problem posed by the anonymous nature of online platforms, changes and new programmes are likely to develop. Regardless of which mechanism or platform is used, current trends suggest that intellectual property, and more specifically registered intellectual property, will play a foundational role in combating abuse in the digital market. **WTR**

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