

World
Trademark
Review

Anti-counterfeiting 2017



Navigating changes in the internet landscape and staying
ahead of the curve

McCarter & English, LLP

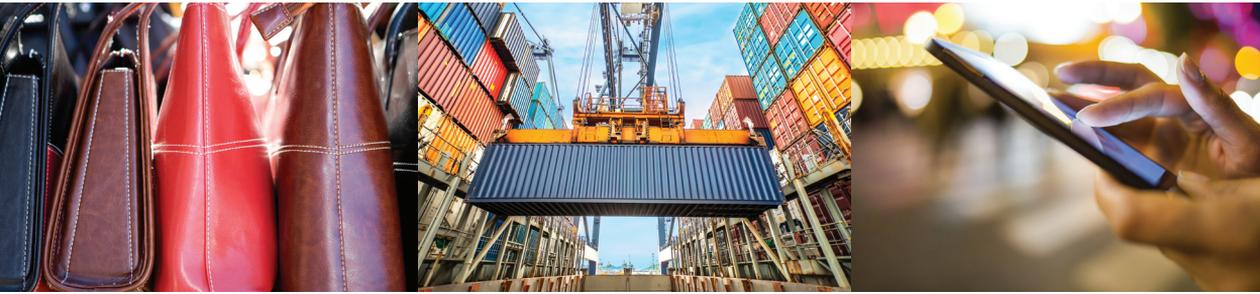
Jennifer Itzkoff and James H Donoian

A Global Guide



中国外商投资企业协会
优质品牌保护委员会
QUALITY BRANDS PROTECTION COMMITTEE OF CHINA
ASSOCIATION OF ENTERPRISES WITH FOREIGN INVESTMENT





WE PROTECT BRANDS

The more than 100 Intellectual Property professionals on our team take the time to understand your business and objectives. Wherever in the world your business takes you, you can rely on McCarter's decades of international experience in the fashion, cosmetics, financial institutions, technology, pharmaceuticals, food and beverage, consumer goods and other IP-heavy industries to anticipate and solve problems before they arise. So you can focus on what you do best—your business.

Industry insight

McCarter & English, LLP

Navigating changes in the internet landscape and staying ahead of the curve

Authors

Jennifer Itzkoff and James H Donoian

The Internet Corporation for Assigned Names and Numbers (ICANN) is a not-for-profit entity tasked with coordinating the functions of the Internet Assigned Numbers Authority (IANA). IANA is the authority responsible for regulating the domain name system, which is the technical process involved in connecting domain names with Internet Protocol addresses. ICANN thus runs the accreditation system for registrars, contracting with each to adhere to certain rules that enable it and IANA to maintain a working domain name system. ICANN also established the minimum requirements for the WHOIS domain name database, the Trademark Clearinghouse, the Uniform Domain Name Dispute Resolution Policy (UDRP) rules and other key technical and administrative elements necessary to regulate the domain name system.

The IANA functions controlled by ICANN were, until recently, under the US government's purview. As of October 1 2016, IANA transitioned from the US government to ICANN. As a result of the transition and preparations for the launch of new generic top-level domains (gTLDs), many of ICANN's policies and functions are under review. While the changes in the rules and policies of ICANN will have little effect on a particular user's day-to-day use or online interactions, these policies have significant consequences for brand owners. ICANN's governance structure is a stakeholder model,

meaning that multiple parties participate in the decision-making process. As the review of ICANN's programmes and policies progresses, conflicting positions inevitably arise – often between advocates supporting the position that ICANN assist IP owners in policing and enforcing their rights and those who insist on preserving certain freedoms, such as a free market and an absolute right to online anonymity. As an example, online anonymity significantly impedes the rights of IP owners because it poses a bar to identifying those engaged in, among other things, counterfeiting and cybersquatting.

ICANN has consistently taken the position that any policing or enforcement of intellectual property – including the fight against counterfeiting and other criminal activity – is beyond its mission and scope. Thus, enforcement efforts fall to brand owners and law enforcement. That said, ICANN has implemented rights protection mechanisms to assist IP owners. As these mechanisms also come under review, there may be room for either expansion or narrowing of the scope of the protections, as opposing sides battle to sway policy. Some mechanisms currently under review are the WHOIS domain name database, the Trademark Clearinghouse and sunrise programmes for new gTLDs. The UDRP Procedures, Uniform Rapid Suspension (URS) System and Post-delegation Dispute Resolution Procedures (PDDRP) are all

expected to come under review in the near future. Finally, working groups are also in place to enhance ICANN's accountability measures to its stakeholders. Brand owners should be aware of how the review of these programmes will affect brand protection strategies going forward, as well as looking beyond these programmes for resources to police and enforce IP rights.

WHOIS domain name database

ICANN requires that domain name registrars obtain identifying information from the individuals or organisations registering a domain name. Despite the lack of a centrally managed database, the information gathered by the registries is collectively referred to as the WHOIS domain name database.

The WHOIS database was intended to create a central location where users can obtain reliable information regarding the ownership of domain names. However, brand owners looking to find the culpable parties operating rogue websites or counterfeiters find that the WHOIS system is broken; the information is regularly inaccurate, as either the identifying information is wholly false or a registrant has used a proxy or privacy service to conceal its identity. Having recognised these obstacles, US courts have recently allowed alternative remedies and means of service of process to assert some measure of recourse. It appears that the time is ripe for ICANN to catch up.

In recognition of the failings of the existing WHOIS database, the initial report published by the working group tasked with evaluation of the service concluded that it should be abandoned and replaced. The group recommends an entirely new system that would collect and validate data surrounding the identity of registrants, but would not be publicly available. Instead, the information would be disclosed only to authenticated parties and only for certain permissible purposes (eg, domain name purchase and sale; legal actions). It is still unclear as to what sort of procedures would be implemented to validate and ensure accuracy of registrants' identity and contact information and whether it would constitute an improvement on the existing system. Until the changes are

implemented, the inaccuracies in the database pose a challenge to brand owners seeking to enforce their rights.

Trademark Clearinghouse

The Trademark Clearinghouse is a database of registered trademarks that is meant to give trademark owners priority registration of domain names for new gTLDs. It allows brand owners to register domains containing their trademarks and obtain notices when third parties attempt to register other domain names containing their marks. When a new gTLD launches, it must hold a priority registration period called a 'sunrise' period, during which only verified trademark owners that have their marks recorded at the Trademark Clearinghouse may register new domain names. The Trademark Clearinghouse was intended in large part to prevent the abuse of domain purchases – including cybersquatting, which occurs when a party registers domains in bad faith that may be likely to be confused with a registered trademark.

As part of ICANN's review of the effectiveness and impact of the Trademark Clearinghouse's services, it commissioned the Analysis Group to conduct a post-launch study of the services. The study made three main conclusions. First, brand owners have requested a feature to have the Trademark Clearinghouse expand matching criteria to include non-exact matches, which would deter registration of nearly identical domains. However, the study found that this may be of limited benefit. Second, many have called for extension of the claims service period. When new gTLDs launch, a 90-day period typically begins once the sunrise priority registration period has ended. During these 90 days, Claims Services sends notifications to third parties that may be attempting to register domains matching Trademark Clearinghouse-recorded trademarks. The report found that extending the trademark claims service may have diminishing value, because domain name registrations in new gTLDs drop dramatically after the 90-day period ends. Third, the report found that few trademark users use the sunrise period. On the other hand, a valuable finding of the draft report is that the claims service of the Trademark



Jennifer Itzkoff

Associate

jitzkoff@mccarter.com

Jennifer Itzkoff counsels clients in brand development and management. She practises in the areas of trademark, copyright, IP licensing, internet law and patent litigation. She represents clients in a variety of industries including consumer goods, toys, luxury and fashion, scientific instruments and pharmaceuticals. Ms Itzkoff assists clients with the selection, clearance, registration and policing of trademarks as well as overall management of large global IP portfolios. She also assists in engaging foreign counsel to secure IP protection abroad as well as the development of policing and anti-counterfeiting strategies. She represents clients in infringement litigation as well as other IP and commercial litigation matters, such as trademark counterfeiting, unfair competition, cybersquatting and trade secret misappropriation.



James H Donoian

Partner

jdonoian@mccarter.com

James Donoian has counselled clients for more than 25 years on global IP and brand management issues, including enforcing and litigating matters from expedited equitable relief through trials; advising clients regarding global branding and IP strategies, trademarks, trade dress, copyrights, advertising and rights of publicity; and negotiating licences and distribution agreements. He has litigated in over 25 different US courts against an array of competitors, licensees and infringers. He has been responsible for global anti-counterfeiting enforcement programmes, successfully implementing strategies combining various IP claims and equitable remedies to obtain seizure orders, asset restraints and other novel forms of equitable relief against domestic and foreign companies, often concurrent with criminal cases in the United States and civil or criminal actions in foreign jurisdictions.

Clearinghouse, which was developed to deter bad-faith registrations, actually works. The draft report found a 94% abandonment rate for registration attempts that received a claims service notification (ie, a notification that the domain name request matched a registered trademark validated through the Trademark Clearinghouse).

These findings are important for brand owners, because ICANN has chartered a working group to review its rights protection mechanisms, including the Trademark Clearinghouse. Members of the working group are advocating, based on the Analysis Group's findings, that certain protections given by the Trademark Clearinghouse be limited. For example, advocates have proposed a use requirement where trademark

owners seeking to validate their registration with the Trademark Clearinghouse must also show use of the mark. There have also been calls to limit the types of trademark subject to protection through the Trademark Clearinghouse. There is a possibility that the findings of the draft report will lead to a change in the Trademark Clearinghouse that may narrow its protections for trademark owners. However, the finding that the claims service effectively deters registrations of domains that match registered trademarks is important and brand owners should keep this in mind as new gTLDs enter the market.

Domain disputes

ICANN provides some dispute resolution alternatives for rights holders facing

violations of their IP rights – the UDRP, the URS and the PDDRP. The UDRP is the original administrative procedure established to allow rights holders to combat abusive registrations. With the launch of new gTLDs, ICANN created the URS to give rights holders a less expensive, expedited process to suspend offending domains. With the expansion of gTLDs, ICANN also recognised the potential for registrar misconduct and established the PDDRP to provide those harmed by a gTLD registry a venue for these complaints.

Despite ICANN's best intentions, from a brand owner's perspective, these administrative proceedings have significant drawbacks, with remedies under these administrative proceedings falling far short of adequate. For example, under the UDRP and URS, many find that they institute a successful action against one domain, only to have another identical website pop up shortly thereafter under a slightly different domain name. Many find that the combination of inaccurate WHOIS records, the limited advantages of the Trademark Clearinghouse and the cost and limited relief obtained from these proceedings undermines their very nature and purpose.

As these enforcement procedures come under review, brand owners would be well served to advocate for broader relief. For example, under the URS, some have proposed a model in which temporary suspension can lead to acquisition of the domain by the actual trademark owner. Some have further advocated that all administrative procedures have a loser-pays model, in which the losing party bears the cost of the proceedings, which would serve as a significant deterrent to bad-faith registrations. Others have called for the automatic transfer of domains to the complainant where the registrant is non-responsive. Any of these changes could go a long way towards making these procedures more effective at combating the abuse of domain name registrations. It would further serve the purpose of providing a needed sense of security and legitimacy to brand owners and consumers alike.

Brand owner action

The reality is that ICANN, by its nature as the administrator of domain names, can offer

only limited rights protection mechanisms and will never be the ultimate enforcer for brand owners. While ICANN's services can be useful tools in combating bad-faith registrations and counterfeiters, brand owners must look for resources outside ICANN's services for brand protection and anti-counterfeiting measures. This is especially true where the ICANN rules are in flux and new procedures will not be implemented for many years.

The first step is to ensure that brands are adequately protected through copyright, trademark and trade dress registrations in the countries where the relevant products are manufactured and sold. Comprehensive protection strategies are becoming increasingly necessary as global markets expand faster than IP protection mechanisms. Subsequently, ensuring regular marketplace surveillance is a necessary component of brand protection. Surveillance should include e-commerce sites and online marketplaces, as well as the brand owner's own distribution channels. It is often someone close to the brand that permits (and profits from) unauthorised actions by manufacturers or distributors. Knowledge of the primary weaknesses and areas in which pirated or counterfeit goods are most prominent is essential to developing an effective anti-counterfeiting strategy.

For counterfeiting in e-commerce and online marketplaces, there are now sophisticated software tools offered by vendors providing full lists of counterfeits. Forensic technology offered by these vendors can assist brand owners in analysing the data to narrow the focus to the highest-volume and most problematic sellers. However, it is insufficient simply to combat these counterfeiters online. By narrowing the field, brand owners can concentrate resources on the best (ie, highest-value) targets and develop a strategy by engaging investigators and counsel in key territories who are skilled at developing a case against the sellers. Good investigators know the evidentiary requirements for civil and criminal actions in their countries and, together with sophisticated counsel, can help to identify and shut down these sellers on the ground.

Issues also arise in the form of grey-market goods – genuine products that are brought into a country by someone other than the brand owner or authorised importer and compete in the market. To combat grey-market goods, brand owners are increasingly turning to authentication technologies that allow them to track and trace packages and identify fakes that do not contain the proper authentications. Often, what at first appear to be counterfeits (perhaps identified by a major account) turn out to be grey-market goods, shifting investigative and enforcement strategies. The available technologies are wide ranging and choosing the proper technology depends on the type of product. They include smart labels and tags, radio frequency identification, multi-layered coding and ultraviolet, infrared and fluorescent inks, among others.

Adopting any of these technologies can have multiple benefits. First, it allows the brand owner to keep track of its goods along the supply chain. Second, the technology acts as a clear signal to third parties of legitimate products – customs agencies can be trained to recognise genuine products containing the appropriate track-and-trace technologies. It can also be a signal to help consumers to distinguish between legitimate and illegitimate products. As with any solution, the human element proves to be invaluable. Educating sales forces and marketing teams as to the harm caused by grey goods and establishing protocols for reporting to management are indispensable tools. Finally, courts in the United States have allowed brand owners to bring trademark infringement cases where product packaging of genuine products was altered to remove or otherwise conceal tracking mechanisms such as Universal Product Code labels and batch codes. Thus, these technologies can be useful tools in combating the import of unauthorised goods.

Conclusion

The transition of the IANA functions from the US government to ICANN triggered a comprehensive review of many of ICANN's

services. While these do not have a serious impact on the everyday use of the Internet, they do have consequences for the services available to brand owners to combat counterfeiting and cybersquatting. Changes to the WHOIS domain name database, Trademark Clearinghouse and dispute resolution procedures threaten to narrow the scope of the protections available to rights holders. The WHOIS information could become even more difficult to obtain if it is restricted, the claims services under the Trademark Clearinghouse could be reduced and there is still no clear indication of the changes that may be implemented to the dispute resolution procedures.

While rights holders should continue to make use of these services – even while they are under review – they should look beyond these services to develop an organised policing and enforcement strategy. This can include maintenance of a strong IP portfolio and continuous market surveillance. To combat counterfeiting on e-commerce sites and online marketplaces, enlist a forensic analyst to identify high-value sellers, partner with experienced local investigators and hire counsel to effectively take them down on the ground. Finally, adopt appropriate track-and-trace technologies to combat the import of grey goods. Working with experienced counsel to tailor a strategy for a specific product line or brand can go a long way towards executing an effective, efficient fight to protect the brand from counterfeits or unauthorised goods. **WTR**

**MCCARTER
& ENGLISH**
ATTORNEYS AT LAW

McCarter & English, LLP

245 Park Ave, 27th Flr

New York NY 10167

United States

Tel +1 212 609 6800

Fax +1 212 609 6921

Web www.mccarter.com