

The Importance of a Comprehensive Trademark Enforcement Program: The Changing Tides of Trademark Infringement

By Alana M. Fuierer and David P. Miranda

In recent years, online trademark infringement and counterfeiting have grown exponentially in both the United States and worldwide, posing a significant threat to authentic businesses and trademark owners, both large and small, and the global economy.

The global reach of the Internet, along with its easy access and anonymity, has allowed the Internet to become a breeding ground for trademark infringers and counterfeiters. Indeed, counterfeit goods are a global, multi-billion dollar business. For example:

- According to various reports, online counterfeiting costs the U.S. economy anywhere between \$135—\$250 billion annually.
- According to FBI, Interpol, World Customs Organization (WCO) and International Chamber of Commerce (ICC) estimates, roughly 7-8% of world trade every year is in counterfeit goods. The equivalent of about \$512 billion in global lost sales.¹
- Internet sales have seen rapid growth over the past decade. In 2014, overall U.S. retail e-commerce sales were 237 billion USD,² accounting for almost 7% of all retail sales.
- According to United Nations report, the value of counterfeit goods sold online was expected to top \$1.7 trillion by 2015.³

Given these statistics, it is clear how significant an economic impact online piracy and counterfeiting can have on U.S. businesses, and the challenges a trademark owner faces when confronted with counterfeit goods or unauthorized use of its trademarks.

In addition to the loss of revenue a business can suffer, trademark rights can become abandoned under the Lanham Act⁴ if third party infringement is tolerated and allowed to run rampant. It therefore is critical for a trademark owner to engage in vigilant policing against misuse of its marks to preserve the value of its trademarks.

Current Trends in Trademark Infringement/ Counterfeiting

As new technology and online platforms emerge, e-commerce has grown in leaps and bounds since the advent of Amazon (1994), eBay (1995) and Alibaba (1999). Technology has been a blessing and a curse for brand

owners. The market for knock-off goods has kept pace and, in some cases, has spearheaded technological advances. Indeed, counterfeiters continue to create and exploit new techniques and opportunities for selling unauthentic or pirated goods and misusing trademarks online.

It is well known that online auction sites, such as eBay, Alibaba and TaoBao, make up the primary distribution point for counterfeit products. According to one 2014 report, Chinese company Alibaba.com ranked first in market penetration, with a 23.7% global reach as of May 2014. Amazon.com, the most popular retailer in the U.S., ranked second with a 22% global reach. As of August 2015, 188 million users visited Amazon's websites per month. eBay, ranked second, had 98 million visitors during the same period.^{5,6} According to the International Anti-Counterfeiting Coalition (IACC) report in 2013, 29% of online counterfeit sales occur through eBay.⁷

By eliminating the need for brick and mortar warehouses and complex distribution channels, these sites have opened the door for individuals and sham companies to misuse valuable trademarks and make lots of money doing so. A consumer can find and buy practically anything from anywhere while sitting on his or her couch, and an online e-commerce site can exploit and feed off of a legitimate trademark owner's goodwill with impunity. Long gone are the days when Rolex is only concerned with counterfeit Rolex® watches being sold on the market streets of New York City or Big Box outlet centers. No longer can Coach only focus its efforts on knockoff Coach® purses being sold at flea markets. With the explosion of e-commerce and effective elimination of national borders via online auction sites, the barriers to widespread distribution have fallen. Born out of the rapid development of new Internet applications and platforms, increasing use of mobile devices and worldwide access to Internet bandwidth, business owners must now be prepared to face the shifting sands of e-commerce instead of street vendors and clandestine warehouses.

Faced with this reality, the following tools will help businesses and trademark owners in two important ways: (1) by minimizing online trademark infringement and counterfeits, and cutting off such misuse before it spreads and results in significant economic loss; and (2) by establishing a trademark owner who is vigilant in policing its marks against misuse, thereby protecting its mark from abandonment.

Toolkit for Policing Against Trademark Infringement, Counterfeiting and Piracy

1. Frequent and Consistent Internet Monitoring—Early Detection

While monitoring the wide variety of online sites may seem daunting, it is imperative to do so. Consistent and proactive monitoring will allow a trademark owner to stop new infringements in their tracks, before they spread. The longer an infringement has been present (and making money), the harder it is to stop without expensive litigation. Furthermore, once a new infringing item starts to spread from the original source to the hundreds, if not thousands, of third party online retail sites, it is virtually impossible to plug up all holes and you will waste valuable resources trying to do so.

Trademark infringement typically occurs *via* the hidden use of metatags, AdWords or “pay-per-click” advertising, and banner advertising. There are several ways to monitor, including manual searches on the primary search engine sites (e.g., Google®, Bing®, Dogpile®, etc.) and online auction sites (e.g., eBay®). Depending on the nature of your goods and your resources, daily, weekly or monthly monitoring may be required. Some of these sites offer no-cost, automatic search mechanisms. For example, Google offers a free service called Google Alerts, which allows you to monitor your trademarks or company’s name online. Google will send you instant results each time a specific word or phrase is used. eBay allows you to set up “Searches You Follow” and receive periodic email notifications with the search results.

Other sites have similar capabilities, free of cost. Take the time to research and use them. This information will allow you to act quickly if there is infringement or if there is an unauthorized use of your company’s trademark. You may also want to consider paying for a Trademark Watch Service.

Best Practice Tip: Early detection is always best and a good offense is the best defense. Engaging in frequent, continuous online monitoring is a best practice for every trademark owner.

2. Website Take Down Procedures

Many of the most popular online marketplaces and auction sites have comprehensive and, for the most part, user-friendly reporting mechanisms for reporting trademark and copyright infringement. These tools were put in place by the sites to avoid, or at least mitigate, liability for secondary trademark infringement and, more frequently, to comply with the Digital Millennium Copyright Act (DMCA). Secondary trademark infringement is when an online marketplace is held liable for the infringing activities of one or more of its sellers.⁸ Unfortunately for brand owners, the federal courts rarely allow a claim of secondary liability for trademark infringement to survive a motion to dismiss. Instead, the courts have made

it clear that brand owners must take some responsibility for monitoring online marketplaces and utilize the tools available.

The DMCA, passed in 1998, increases the penalties for online copyright infringement but also provides a safe harbor for Internet Service Providers (ISPs) who comply with certain “take down” procedures. As a result, these DMCA take down procedures, found on most e-commerce sites, are an important enforcement tool for intellectual property owners.

Over the past few years, online marketplace and auction sites also have initiated an increasing number of trademark infringement online reporting tools, frequently available with the DMCA tools. Examples include, Amazon, eBay, Alibaba, Etsy, Pinterest, Tublr, Houzz and Facebook. Each have their own rules, policies and oddities, and some are more complicated than others.

Perhaps one of the more exciting advancements in online trademark enforcement has been the monitoring and take-down tools provided by Alibaba®, a well-known source of counterfeit goods from China. Up until a few years ago, reporting trademark infringement or counterfeit goods through Alibaba was a frustrating waste of time and resources. Recently, Alibaba’s program for infringing content review (AliProtect) is more proactive and friendly to the trademark holder. Although AliProtect involves very specific and intricate steps an Intellectual Property Rights (IPR) holder must follow, once the IPR holder jumps through these hoops, the process can prove to be a very useful tool in stopping counterfeit products from entering the United States.

Some websites, like Amazon® and eBay®, are more conservative when it comes to taking down reported listings, while others would rather take down a listing than face the potential for secondary liability. Regardless of the success rate, these reporting mechanisms are an invaluable tool in a company’s trademark enforcement tool kit and, while not perfect, are far less expensive than filing a lawsuit.

Best Practice Tip: DMCA take down procedures must be used carefully, as the specific procedures set forth under the Copyright Act of 1976⁹ are for copyrights only. Many times, trademark owners attempt to use the DMCA procedures for alleged trademark infringements. Copyright infringement and trademark infringement are not the same. Be aware, the improper use of a DMCA takedown notice for enforcing trademarks, rather than copyrights, may constitute a violation of the DMCA (Section 512(f)) and result in monetary liability for the trademark owner.¹⁰

3. Government Programs

Trademark owners with registered trademarks on the Principal Register may record these marks with the U.S. Customs & Border Protection (CBP). Once registered, the

CBP officers can monitor imports and seize counterfeit goods that bear infringing marks at each of the ports of entry. The process for recording a registered trademark has been streamlined by the Intellectual Property Rights e-Recordation (IPRR) system, which allows trademark owners to electronically file IPR applications.¹¹

According to the CBP, in Fiscal Year 2014, there were 23,140 intellectual property rights seizures with a manufacturer's suggested retail value of \$1.2 billion.¹²

4. Other Enforcement Tools

Despite best efforts, online enforcement tools are sometimes not good enough. In those situations, a business may need to escalate to more traditional enforcement tools. This includes cease and desist letters, federal litigation (or possibly state litigation, in certain limited situations) or U.S. Patent and Trademark Office (USPTO) trademark proceedings.

For counterfeit or grey goods imported from overseas, a business can consider bringing an International Trade Commission (ITC) proceeding, which allows a trademark owner to obtain a general exclusion order preventing any and all counterfeit or infringing goods from entering the United States.

Finally, educate yourself and your employees, sales representatives, agents, customers, friends and relatives about trademark infringement, and encourage others to report infringing activity.

Best Practice Tip: One less traditional, but often times effective, tool is raising public awareness of the wrongdoing. Bad PR, or the potential for bad PR, often times will be the best form of enforcement against an entity misusing another's trademark. Do not dismiss this as a viable approach, particularly against companies who are concerned with their own brand, reputation and goodwill. However, be mindful of avoiding disparaging or disingenuous conduct that could result in liability to the trademark owner.

5. Prioritize: Identify Proper Targets and Action

While it is well settled that failure to enforce your trademark could result in abandonment or weakening of your mark, it is also impracticable to require trademark owners to prosecute each and every minor infringement.¹³ The courts do not require a business to go bankrupt policing its trademarks. As such, a strategic and tailored enforcement strategy is essential to maintaining your trademarks and it is important to prioritize your targets. Consider whether some infringements are *de minimis*, in favor of more strategic enforcement against larger, more problematic infringers. Where will you get the most bang for your enforcement dollar? Is it easier to go after the individual online retailers, or the source?

Finally, carefully consider which tool to use from the enforcement tool box. The Internet and social media not

only have changed how trademark infringers infringe, they have greatly affected how trademark owners should react. Traditionally, when trademark owners discovered a perceived infringement, they would have their attorney send out a very serious and threatening cease and desist letter. With the advent of social media, this traditional method of enforcement must be used wisely and with caution, taking into account the risk of social media backlash in each and every case, along with other factors (amount the case is worth, other ways to approach enforcement, etc.).

One more recent example of how social media can impact trademark enforcement strategies is *Lagunitas Brewing Company v. Sierra Nevada Brewing Co.* (N.D. Cal. 3:15-cv-00153). Lagunitas filed a lawsuit against Sierra Nevada on a Monday, alleging the label on Sierra Nevada's new Hop Hunter IPA was substantially similar to the design on Lagunitas's iconic IPA. Within 24 hours of Lagunitas' court filing, a social media backlash campaign spread like wildfire. By Wednesday, a mere two (2) days later, Lagunitas voluntarily dismissed the lawsuit, stating it lost its trademark case in the "Court of Public Opinion."

Best Practice Tip: There are many examples like the Lagunitas case. Once the social media train pulls out of the station, it is virtually impossible to stop or recover from the fallout. One can assume that an aggressive infringer might sometimes defiantly and publicly share a cease and desist letter from a trademark owner. It therefore is imperative that a trademark owner and its counsel be wary of the risks involved, not only with failure to enforce its trademarks, but also with overly aggressive enforcement. Think creatively. Depending on the infringer, there are various strategies and ways of protecting your marks, without necessarily resorting to threats and litigation.¹⁴

Conclusion

Absent a comprehensive, online enforcement program, trademark infringement and counterfeiting can result in significant injury to your brand, products and/or services, as well as a significant loss in revenue. The easy access to counterfeit goods out of countries like China and Russia makes it even more important to have a strategic and targeted online enforcement program in place. Early and continuous monitoring is critical to any enforcement program, as is retaining intellectual property counsel to aggressively, yet efficiently, assist with a strategic and targeted enforcement policy.

Finally, given the far reach of the Internet and fast-paced advancements in technology, it is critical for business owners to stay educated regarding new infringement methods and solutions. E-commerce and the Internet are an ever-changing and evolving platform. A trademark owner must not remain stagnant in its enforcement strategies, but must be creative, flexible and willing to change with the "piracy" tides.

Endnotes

1. *Learn About IP*, STOPFAKES.GOV, <http://www.stopfakes.gov/learn-about-ip/ip/how-serious-problem-counterfeiting-and-piracy> (last visited Mar. 20, 2016).
2. *Statistics and Facts About Global e-Commerce*, STATISTA.COM, <http://www.statista.com/topics/871/online-shopping/> (last visited Mar. 20, 2016).
3. UN INTERREGIONAL CRIME & JUSTICE RESEARCH INST. & THE INST'L CHAMBER OF COMMERCE, CONFISCATION OF THE PROCEEDS OF CRIME: A MODERN TOOL FOR DETERRING COUNTERFEITING AND PIRACY 9 (2013), http://www.unicri.it/services/library_documentation/publications/unicri_series/A_modern_tool_for_deterring_counterfeiting_and_piracy.pdf.
4. The Lanham Act, 15 U.S.C. §§ 1051-1141n (2012).
5. *Most popular retail websites in the United States as of September 2015, ranked by visitors (in millions)*, STATISTA.COM, <http://www.statista.com/statistics/271450/monthly-unique-visitors-to-us-retail-websites/> (last visited Mar. 20, 2016).
6. Sandy Smith, *The Favorite 50 2015*, NATIONAL RETAIL FEDERATION (Sept. 1, 2015), <https://nrf.com/news/the-favorite-50-2015>.
7. *IACC Urges U.S. Appeals Court to Hold Ebay Contributorily Liable for Continuing Rampant Internet Sales*, INTERNATIONAL ANTICOUNTERFEITING COALITION (Oct. 22, 2008), <http://www.iacc.org/announcements/iacc-urges-u-s-appeals-court-to-hold-ebay-contributorily-liable-for-continuing-rampant-internet-sale?A=SearchResult&SearchID=2178143&ObjectID=62672&ObjectType=7>.
8. In the United States, eBay and Amazon repeatedly have avoided secondary liability for trademark and copyright infringement, or counterfeiting. *See, e.g.*, *Milo & Gabby, LLC v. Amazon.com, Inc.*, 12 F.Supp. 3d 1341 (W.D. Wash. 2015); *Tiffany Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010).
9. The Copyright Act, 17 U.S.C. §§ 101-810 (2010).
10. *See CrossFit, Inc. v. Alvies*, No. 13-3771, 2014 WL 251760 (N.D. Cal. Jan. 22, 2014).
11. *See The Intellectual Property Rights e-Recordation (IPRR) application*, U.S. CUSTOMS AND BORDER PROTECTION, <https://iprr.cbp.gov/> (last visited Mar. 20, 2016).
12. *Intellectual Property Rights Fact Sheet*, U.S. CUSTOMS AND BORDER PROTECTION, <http://www.cbp.gov/sites/default/files/documents/IPR%20Fact%20Sheet%202014%20UPDATE%20FINAL.pdf> (last visited Mar. 20, 2016).
13. *See Engineered Mech. Servs. v. Applied Mech. Tech.*, 584 F.Supp. 1149 (1984) ("The owner of a mark is not required to constantly monitor every nook and cranny of the entire nation and to fire both barrels of his shotgun instantly upon spotting a possible infringer. Lawyers and lawsuits come high and a financial decision must be made in every case as to whether the gain of prosecution is worth the candle.")
14. *See, e.g.* The letter sent by Jack Daniels to an individual author, wherein Jack Daniels offered to pay for a new book cover when the book went into its 2nd reprint. Avi Dan, *The World's Nicest Cease-And-Desist Letter Ever Goes Viral, Sells Books*, FORBES (July 26, 2012, 12:38 AM), <http://www.forbes.com/sites/avidan/2012/07/26/the-worlds-nicest-cease-and-desist-letter-ever-goes-viral-sells-books/#2de713e49aca>.

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