

March 24, 2010

Ms. Victoria Espinel  
U.S. Intellectual Property Enforcement Coordinator  
727 17<sup>th</sup> Street NW  
Fifth Floor, Room 5002  
Washington, D.C. 20002-7231

**Re: Request for written submissions regarding the Joint Strategic Plan**

Dear Ms. Espinel:

The International Trademark Association (INTA) appreciates the opportunity to make a submission in response to the Intellectual Property Enforcement Coordinator's (IPEC) request for comments on the development of the Joint Strategic Plan. Please find enclosed INTA's recommendations for accomplishing the goals of the Joint Strategic Plan.

The enforcement of trademarks is important to preserving the health of the U.S. economy and to protecting the safety and security of the public. Counterfeit products not only have a negative impact on the economy, but also pose serious risks to public health and national safety. Therefore, INTA supports the role of the IPEC as a valuable opportunity for increased coordination among the various IP enforcement initiatives undertaken by relevant government agencies and a demonstration of the country's ongoing commitment to enforcing IP.

INTA appreciates the amount of effort that will be necessary to increase coordination within and outside of the United States to fight trademark counterfeiting. We hope the enclosed recommendations will be constructive to the development of the Joint Strategic Plan. We look forward to an opportunity to view the Joint Strategic Plan and are available to further discuss our recommendations in more detail. Thank you for your attention and consideration.

Sincerely,



Heather Steinmeyer  
President



International Trademark Association  
Representing Trademark Owners Since 1878

## **INTA SUBMISSION ON THE REQUEST FOR PUBLIC COMMENT REGARDING THE JOINT STRATEGIC PLAN FOR IP ENFORCEMENT**

*for the Office of the Intellectual Property Enforcement Coordinator (IPEC)  
through the Office of Management and Budget  
March 24, 2010*

### **Introduction**

The International Trademark Association (INTA) welcomes the opportunity to respond to the request of the Intellectual Property Enforcement Coordinator (IPEC) for comments to the Joint Strategic Plan. INTA fully supports the objectives of the Joint Strategic Plan to reduce the availability of infringing products domestically and internationally, to identify areas of weakness and redundancy in current enforcement efforts, and to encourage and strengthen the capacity of other countries to enforce intellectual property rights (IPR) by providing assistance and cooperation between the U.S. and the relevant country.

INTA is a membership association of more than 5,600 trademark owners and professionals, from more than 190 countries. The organization is dedicated to the support and advancement of trademarks and related intellectual property as elements of fair and effective national and international commerce.

INTA has several committees that focus on areas and issues directly related to the enforcement of trademarks. The organization's Anti-Counterfeiting Committee (ACC) and the Parallel Imports Committee (PIC) have contributed to this submission. The ACC and PIC are comprised of more than 300 members who are based all over the world and who provide expertise on trends and issues of concern relating to trademarks in their respective regions.

The comments below follow the format of the Federal Register Notice with Part I including a discussion on the scope of the problem and costs to the U.S. economy and threat to public health and safety. Part II delves into recommendations focused on enhancing trademark enforcement in response to the objectives and supplemental topics outlined in the Federal Register Notice. A brief section on additional trademark infringement topics has been included for consideration.

### **Part I: Costs to U.S. Economy and Threats to Public Health and Safety**

Intellectual property-based industries employ more than 18 million people in the United States and account for about \$5 trillion of the United States' GDP according to the U.S. Chamber's Global Intellectual Property Center (GIPC). These numbers are significant and yet counterfeiting and piracy, among two of the largest threats to IP innovation remain as rampant as ever. In a recent study by Frontier Economics - commissioned by the International Chamber of Commerce's Business Action to Stop Counterfeiting and Piracy (BASCAP) initiative - 2.5

million jobs have been adversely impacted by the G20 countries as a result of counterfeiting and piracy. In November 2009, the Organization for Economic Cooperation and Development (OECD) updated their figure on the international trade in counterfeit and pirated goods from reaching \$200 billion in 2005 to \$250 billion in 2007. This figure does not include domestically produced and consumed counterfeit products.

Counterfeiting also has serious potential harms to public health and safety, with fake pharmaceuticals, personal care products, automotive and aircraft parts, and food and beverages manufactured and distributed in the United States and throughout the world. According to seizure statistics reported by U.S. Customs and Border Protection (CBP), a domestic value of \$260.7 million of products were seized in fiscal year 2009, \$32 million of which represented products that posed risks to consumer safety, critical infrastructure and national security. Three of the top ten product categories seized posed potential security and safety risks. These product categories are pharmaceuticals, electrical articles and critical technology components. In addition, perfumes, sunglasses, cigarettes, batteries, exercise equipment and personal care products were categories of counterfeit items seized that risked consumer safety.

The CBP statistics only account for those counterfeit products that were prevented from reaching consumers. It is difficult to ascertain the amount of counterfeits that have infiltrated the U.S. market. Currently, while annual statistics on items seized are available, there is no formal measurement or ongoing analysis on the specific impact of counterfeiting on the U.S. economy or to the health and safety of U.S. consumers. Counterfeit pharmaceuticals, food and beverages and personal care products can cause bodily harm to consumers who use or ingest them, while fake automotive parts, wires, electronics, etc., can cause fires and mechanical breakdown. A government-funded study in cooperation with industry tracking such developments would help to ascertain the true scope of this problem. However, the statistics available to date and the growing consumer and industry concern should be sufficient evidence for the U.S. government and their enforcement agencies to apply the urgently needed resources to continue to attack this problem. Keeping track of the progress on efforts to fight counterfeiting also would assure the U.S. government that such policies and resources are being effectively applied and, we believe, would provide further evidence of the need to commit greater resources to the fight against counterfeiting. Such efforts would be extremely useful in educating the public on the problem of counterfeiting and on the importance of intellectual property rights protection in general.

## **Part II: Recommendations for Accomplishing the Objectives of the Joint Strategic Plan**

INTA recognizes current initiatives are being undertaken by U.S. agencies that aim to increase enforcement coordination domestically and internationally as well as offer opportunities to provide training to enforcement counterparts in other countries. However, improvements are needed to truly make a meaningful impact. In light of the objectives of the Joint Strategic Plan, INTA provides the following recommendations for consideration, which have been grouped and prioritized according to one or more of the objectives in the plan.

## **Objective 1: Reduce the supply of infringing goods domestically and internationally**

Since counterfeit goods enter the United States and are accessed by consumers in a number of different ways, INTA highlights the following areas each of which should receive equal priority for consideration.

### **1) *Enhance and streamline customs processes and border protection.***

Customs processes provide the ability to prevent the entry of counterfeit merchandise into U.S. commerce. As greater emphasis has been placed on this function of U.S. Customs and Border Protection, recent annual statistics of seizures demonstrate significant improvement. However, reference to seizures alone does not adequately measure the sufficiency of steps that need to be taken to eliminate this growing threat to the U.S. economy. INTA believes that more must be done by taking the following actions:

- a. *Expand the risk-based approach to IPR interdiction that CBP has vigorously employed in addressing security.* The core of this approach is the identification of high-risk shipments in advance of their arrival in the U.S. This permits the application of limited enforcement resources to those shipments most likely to violate IPR laws. Presently, CBP possesses only the most rudimentary IPR targeting system.
- b. *Improve the data available on sources of counterfeit and pirated goods, through a wide range of government and private sector resources, in order to enhance the targeting activity.* At the same time, expand the data available on legitimate trademarked products which will facilitate the clearance of that merchandise. An important step will be to improve the recordation system, so that trademarks can be seamlessly registered at the U.S. Patent and Trademark Office and immediately recorded at CBP.
- c. *Pursue proposals to identify those rights holders and importers whose supply chain integrity has been recognized and certified by CBP, so that their low-risk merchandise can be cleared expeditiously and greater attention can be paid to importations of high-risk goods.*
- d. *Adequately resource CBP field operations with personnel dedicated to IPR enforcement.* This will permit the development of expertise, provide a focal point for training, and ensure the sufficiency of those assigned to interdict counterfeit goods.
- e. *Revise CBP's statutory authority to consult with rights holders about suspect merchandise presented for clearance at the ports.* This should permit CBP officers to communicate freely about the characteristics of that merchandise and provide unredacted samples so that infringing products can be identified.
- f. *Expand CBP's administrative authority to detain and seize clearly infringing, though unrecorded merchandise.*

- g. *Continue to improve other processes to permit timely identification of counterfeit products, such as CBP's recent provision for a continuous bond for rights holders requesting samples of suspect merchandise.*

**2) *Strengthen anti-counterfeiting enforcement and legislation at state level through the following actions:***

- a. *Increase grants available to train state and local law enforcement officials. Enforcement and education at the state level are crucial components of any movement towards stemming the counterfeiting problem. Counterfeit goods penetrate all levels of the current supply chain and efforts must be implemented to educate and train state and local officials on how to stop the flow of counterfeit goods and prosecute counterfeiters. INTA supports the recent state and local grants issued by the U.S. Department of Justice that allow for training of law enforcement officials. INTA recommends an increase in the grants available so that every law enforcement official can be properly educated about counterfeiting and its adverse effects on the local and global economy.*
- b. *Update relevant state laws to allow for measures to meaningfully disrupt the illegal business of vendors who sell counterfeit goods through leased premises. These may include laws that are not specifically about trademarks or counterfeiting but that could open avenues to facilitate prosecutions. Companies have been pursuing theories of third party liability against landlords or other property owners at locations where counterfeit goods are sold. This approach has been particularly effective in New York City in which sales of counterfeits are centralized in certain areas of the city. The New York Real Property Law contains a section that specifically supports a finding of liability against a landlord for illegal acts committed by a tenant on the premises if the landlord was aware of the illegal acts and failed to take appropriate action. The New York State Courts have concluded that trademark counterfeiting is an illegal activity under this statute and it is therefore applicable to situations where counterfeit goods are sold from the premises. As a result, there has been increased crackdown on the sellers of counterfeits. INTA's Board Resolution on Disrupting Illegal Business Vendors Who Sell Counterfeit Goods through Rented or Leased Premises can be found in Attachment 1.*

In addition, INTA is willing to work with every state legislature in adopting the Model State Anti-Counterfeiting law which would provide additional tools for law enforcement in prosecuting those engaged in counterfeiting activities. Please see Attachment 2 for INTA's Model State Anti-Counterfeiting Bill for your reference.

3) *Recognize and address through practical and cooperative measures the increasing challenge of the sale of counterfeit products on the Internet and new ways through which counterfeiters are selling fakes online via new channels such as social media websites.*

The availability of counterfeits on the Internet through marketplace sites, search engines, independent websites and now increasingly social media sites is a growing concern for trademark owners and other Internet stakeholders. The OECD noted in the recent study on “The Economic Impact of Counterfeiting and Piracy” that the Internet has provided counterfeiters with a new and powerful means to sell fake products, suggesting that a significant share of the counterfeit trade is attributable to the Internet.

As an organization with a membership that includes a wide spectrum of stakeholders engaged in promoting commerce through the Internet, INTA developed best practices for voluntary measures to address the sale of counterfeits on the Internet (see Attachment 3). These best practices outline a baseline of communication and cooperation between trademark owners and Internet stakeholders to combat the sale of counterfeits online. Greater cooperation at a practical level is encouraged between industry stakeholders as well as with enforcement agencies to track the flow of counterfeit goods on the Internet.

In addition to the overall challenge of the widespread availability of counterfeits on the Internet, the unauthorized use of trademarks as Internet domain names, commonly known as cybersquatting, also contributes to the sale of counterfeit goods and services on the Internet. While this specific issue may not be within the scope of the IPEC, this is an important aspect of the growing problem of counterfeits on the Internet and warrants a brief discussion.

Cybersquatters capitalize on the goodwill and recognition associated with trademarks to mislead consumers into believing they have reached their intended destination on the Internet by registering domain names in this misleading manner. Despite the considerable resources dedicated by trademark owners to address the growing problem of cybersquatting, the practice continues to rise year upon year, as reflected in the total number of domain names, which have been the subject of disputes. The following factors illustrate the numerous challenges trademark owners and law enforcement have faced in addressing illegal websites:

- widespread inaccuracies in the contact information on registered domain names<sup>1</sup>;
- growth of “proxy” services offered by Internet domain name registration service providers. Such proxy services shield the domain owner’s identity and whereabouts from public disclosure. When used in conjunction with websites offering advertising or sale of commercial goods and services, it obstructs the ability of trademark owners and law enforcement to institute legal action to prevent the abuse of intellectual property and consumer harm; and
- lack of contractual compliance by Internet domain name registration service providers with domain name system regulations.

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<sup>1</sup> See Draft Report on Whois Accuracy by The National Opinion Research Center (NORC) <http://www.icann.org/en/compliance/reports/whois-accuracy-study-17jan10-en.pdf>

Many of these issues fall under the governance of the Internet Corporation for Assigned Names and Numbers (ICANN), which operates through a framework agreement with the U.S. Department of Commerce. Of particular concern to trademark owners is ICANN's current plan to introduce an unlimited number of new generic Top-Level Domain Names (gTLDs) to the Internet, which may further exacerbate the sale of counterfeit products on the Internet by creating more avenues and opportunities for counterfeiters to register abusive domain names.

INTA has provided and will continue to provide the input of trademark owners into the ICANN processes through its participation in the Intellectual Property Constituency (IPC) of the Generic Names Supporting Organization (GNSO), a subdivision within the ICANN structure.

**4) *Increase government public awareness campaigns to educate consumers.***

Consumer education on the adverse impact of counterfeiting on the economy and public health is crucial to curbing the demand (and thereby the supply) of counterfeit goods. A strong government supported education program or campaign is needed at national and state levels to make a meaningful impact on the attitude of both consumers who are consciously purchasing fake products as well as those who do so unknowingly, but without adequate knowledge of the risks. Involving industry in the development of the education program is essential, particularly since trademark owners, who generally are cautious about having the spotlight shown on their counterfeit problems, can pool information and stories for these public education initiatives. Initiatives should also include approaches to educating consumers online and in areas where they are most exposed to counterfeiting sales.

**Objective 2: Promote information sharing between participating agencies to the extent permissible by law**

INTA encourages increased information sharing and coordination between agencies internally and with trademark owners. Possible approaches to this are as follows:

**1) *Encourage each enforcement agency to create individual IP enforcement strategies that complements the Joint Strategic Plan and outlines specific action steps and priorities to be undertaken to strengthen IP enforcement. Where possible, these plans can be made available to the public.***

While enforcement agencies such as CBP provide annual statistics on seizures of infringing products and have established internal working groups to coordinate overall IPR strategy, there is currently little public information on what those specific strategies or action plans of the relevant enforcement agencies are and where milestones or areas against which to measure progress or success can be identified. These action plans could outline what steps the enforcement agency will take to strengthen its efforts and further collaborate with industry. Such information would be useful to be able to better assess opportunities to provide more assistance to enforcement agencies.

**2) *Establish and convey a mechanism to enhance communication and transparency among the governmental agencies involved in enforcing trademarks.***

A clear and transparent communication process among the intergovernmental agencies involved in IP enforcement is extremely important to making the efforts in combating counterfeit goods effective. These agencies include the Federal Bureau of Investigation (FBI), Immigration and Customs Enforcement (ICE), Food & Drug Administration (FDA), Department of Justice (DOJ), and CBP. A good platform through which such coordination can be accomplished has already been established via the National IPR Coordination Center. INTA encourages an increased role for the Center in promoting more coordination and information sharing at the international, national and local level. This will require a more substantial commitment of resources (such as full-time staffing) to the IPR Center by enforcement agencies, particularly those located in other departments.

**3) *Create a uniform, simple and cross-jurisdictional process by which trademark owners can report and receive reports of counterfeiting activities or selling of counterfeit goods.***

The different reporting processes across city and state jurisdictions presents a challenge for rights holders that often have to handle counterfeiting cases across multiple jurisdictions. Streamlining paperwork processes and simplifying and making consistent the steps, regardless of which agency the brand-owners utilize to combat counterfeiting activities, would save money and time on the part of both the trademark owner and the government. This recommendation also addresses Supplemental Comment Topic #5: Suggest methods for strengthening information sharing between stakeholders and U.S. Government agencies to improve IPR enforcement efforts.

**4) *Create a centralized database or notification for publishing indictments.***

INTA encourages increased transparency in communicating and publishing indictments so that victims of counterfeiting can know the outcome of cases, track whether penalties have been paid and seek restitution. This would support rights of crime victims under 18 U.S.C. § 3771 including subsection (a)(6) granting the right to full and timely restitution as provided by law. Further, this would also promote the sharing of information between the various enforcement agencies that have participated in the cases. This recommendation also addresses Supplemental Comment Topic #10: Describe the adequacy and effectiveness of the reporting by the various agencies responsible for enforcing IP infringements, such as the reporting of investigations, seizures of infringing goods and products, prosecutions, and the results of prosecutions.

**Objective 3: Reduce the number of countries that fail to enforce intellectual property rights; Assist other countries to more effectively enforce intellectual property rights**

The United States is well positioned to assist other countries to effectively enforce their intellectual property rights. Most recently, the United States has been involved in negotiations for the Anti-Counterfeiting Trade Agreement (ACTA) – a plurilateral trade agreement aimed at building upon existing international rules to raise the standard of enforcement against counterfeiting and piracy amongst the signatory countries. In light of this, INTA recommends that the United States:

***1) Remain committed to finalizing an ACTA that will truly raise the bar on enforcement particularly against trademark counterfeiting.***

There is valuable opportunity in the negotiations for ACTA to make a significant impact in fighting counterfeiting – a problem that spans beyond borders and affects all economies and people. We note and applaud President Obama for reaffirming the United States' commitment to ACTA in a recent speech that he gave at the Export-Import Bank's Annual Conference on March 11, 2010.

From a trademark perspective, ACTA would be one of the first international agreements to have a major focus on combating counterfeiting in a harmonized and coordinated way, which is absolutely necessary to fight the highly sophisticated counterfeiting networks spanning across multiple countries. Through ACTA, trademark owners hope to see:

- higher standards and stronger cooperation on combating counterfeiting;
- stronger border enforcement especially with relation to goods in transit;
- more effective criminal penalties;
- stronger international cooperation between enforcement bodies of the signatory countries; and
- increased cooperation with industry.

INTA, in partnership with ICC BASCAP, formed a Business Response Group (BRG) comprised of more than twenty national and local business associations worldwide to provide recommendations to the negotiating governments of ACTA. Please see Attachment 4 for the latest BRG Response to the ACTA Summary of Key Elements under Discussion that was released by the Office of the U.S. Trade Representative (USTR) last year.

***2) Encourage other countries to participate and sign on to ACTA following the conclusion of the negotiations.***

The effectiveness of ACTA in stemming counterfeiting is partly dependent on the countries that participate in ACTA. INTA hopes that the United States will also continue efforts to bring other countries important in the fight against counterfeiting into ACTA following the conclusion of the negotiations. This would be one important way to assist those countries that could benefit from increased enforcement and cooperation with the international community.

#### **Objective 4: Disrupting and eliminating infringement networks in the U.S. and in other countries**

Counterfeiting networks span multiple countries. The manufacture, assembly and distribution of counterfeits are often conducted in different jurisdictions. In some cases, counterfeit parts and labels manufactured in one country are sent to free trade zones (FTZ) or free ports (FP) of another country to be assembled into the actual counterfeit product. The final counterfeit products are then shipped to yet another country for sale and distribution. Goods passing through FTZ's or FP's and transshipped through multiple ports, create opportunities for counterfeiters to disguise the true country of origin of goods. Counterfeiters also take advantage of customs territories where border enforcement for transshipped or in transit goods is known to be weak, with the intention of passing the goods through those customs territories to their destination, including the U.S.

INTA members believe that unrestricted regimes for transshipment and transit of goods through free trade zones and free ports significantly contribute to the trafficking of counterfeit goods around the world. Therefore, it is important that public authorities, especially customs authorities, are given authority to apply border measures that allow effective actions against counterfeit goods passing through FTZs and FPs. In doing so, the networks established by counterfeiters in the U.S. and in other countries to manufacture and distribute fakes can be effectively disrupted. Seizing and stopping counterfeit goods at FTZs and FPs, will consequently reduce its supply domestically and internationally. Please see Attachment 5 for INTA's Board Resolution on Free Trade Zones and Free Ports for your reference.

In light of the above, INTA recommends the following actions:

***1) Implement Section 205 of the Pro-IP Act of 2008, which includes a statement prohibiting the transshipment of counterfeit goods.***

INTA supported the inclusion of transshipment issues in the Pro-IP Act of 2008 under Section 205, which states: Prohibits the transshipment or exportation of counterfeit goods or services and deems such acts to be violations of the Acts commonly referred to as the Trademark Act of 1946 or the Lanham Act.

INTA encourages full implementation of this provision, which will also require corresponding language in the customs statutes. This can be achieved in customs authorization legislation that is now being considered before the Congress.

***2) Encourage other countries to establish procedures and a legal framework to halt the transshipment and transit of counterfeit goods in free trade zones and free ports.***

Addressing counterfeit goods in transit continues to be a source of debate and there are concerns by some countries that applying such procedures will interfere with and block the flow of legitimate goods. These concerns are understandable; however, the aim should be to stop counterfeit goods – goods that, if allowed to pass through the free trade zone or free

port, can ultimately reach the hands of consumers including those living in the United States. This is particularly critical when those counterfeits pose risks to public health and safety.

As noted above, INTA is pleased that the U.S. has recognized the urgent issue of transshipped goods and encourages the U.S. to promote the establishment of procedures and legal frameworks in other countries through trade agreements, information and best practices exchange and/or other relevant and appropriate collaboration mechanisms to address this problem.

## **Additional Trademark Infringement Topic: Parallel Imports**

### **Introduction**

“Parallel imports,” otherwise known as “gray market goods,” refer to goods that a U.S. trademark owner intended for sale outside the U.S., but which are purchased by a third party outside the U.S. who then imports such products for sale in the U.S. without the authorization of the US trademark owner and which are in competition with the trademark owner’s products intended for the U.S. market. Typically, the goods being imported bear the same trademark as the U.S. trademark owner’s goods. Therefore, such goods can lead to confusion among consumers who believe that the imported goods are the same quality and specification as the goods produced for the U.S. market when in fact such goods may not be the same. Indeed, consumers purchasing parallel imports that are materially different and who believe them to be the same as the U.S. goods risk being disappointed or harmed by the differences. Such consumer dissatisfaction is invariably directed at the brand owners, who never intended that those goods be sold in the market.

As a result, federal courts have recognized that such unauthorized importation of unauthorized goods into the U.S. infringes the U.S. trademark owner’s rights if such goods are materially different from the U.S. goods.<sup>2</sup> INTA thus believes that parallel imports should be included in the Joint Strategic Plan in order to improve U.S. government enforcement efforts against trademark infringement.

Gray market goods touch upon almost all industries that sell goods to consumers. For the information technology industry alone, gray market goods are a multi-billion dollar annual problem.<sup>3</sup> INTA believes that the IPEC could play an important role in this area, countering unsafe and materially different gray market goods by: (1) encouraging better coordination among CBP, the FDA, the U.S. Postal Service, and other agencies with respect to materially different gray market goods; (2) supporting changes in the regulations (e.g., Lever Rule) that would make enforcement efforts more effective; and (3) by generally raising the awareness among

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<sup>2</sup> See generally J.T. McCarthy, *McCarthy on Trademarks* § 29:51.75 (2009)

<sup>3</sup> See Michael Singer, *Gray Market a Double Edged Sword*, Internetnews.com (January 21, 2005) located at <http://www.internetnews.com/bus-news/article.php/3462561>; Paul Festa, *Net Tightens Gray Market Retail Vise*, CNet News.com (March 21, 2005) located at [http://news.com.com/Net+tightens+gray-market+retail+vise/2100-1030\\_3-5628742.html?tag=st.num](http://news.com.com/Net+tightens+gray-market+retail+vise/2100-1030_3-5628742.html?tag=st.num)

government agencies that materially different gray market goods are an important issue that needs to be addressed.

## **Lever Rule**

U.S. Customs attempted to address the gray market goods problem and the decision in Lever Bros. Co. v. United States,<sup>4</sup> through the implementation of the Lever Rule regulations in 1999<sup>5</sup>. Under these regulations, a trademark owner who first records its registered mark with U.S. Customs may petition Customs to stop the importation of any gray market good that bears its mark and materially differs from the authorized domestic goods. The regulations provide that the gray market importer in turn can respond by either obliterating the trademark or applying a special label that states that the goods are physically and materially different from authorized products of the U.S. trademark owner. Customs will not detain goods that have this special label.

INTA originally expressed its objection to the planned implementation of the disclaimer option in a May 7, 1998 submission to Customs. In particular, the INTA statement urged Customs not to proceed, because the labeling exception is inconsistent with the holding of Lever Bros., ignores the rights of the trademark owners and consumers, is outside the scope of Customs' authority and does not promote fair competition.

## **Lever Rule Impact Undercut**

INTA has undertaken a review of the impact of the Lever Rule on the sale and importation of gray market goods in the United States and found that it is very rarely used by brand owners because of their concern about its operation. The use of the label option under the Lever Rule presents a risk that a federal court might not enjoin the gray goods once they have the Lever Rule label applied to them. The court may mistakenly believe that the trademark owner who invokes the Lever Rule considers the labeling option to be effective, and is admitting as much by having applied for Lever protection, when in fact it probably does not.

Trademark owners do not consider the Lever Rule label to be an effective option. There is ample literature and case law which supports INTA's position that labeling has very little effect in alleviating consumer confusion.<sup>6</sup> The labeling does nothing to address the health and safety concerns that may arise when dealing with goods that are physically and materially different

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<sup>4</sup> 981 F. 2d 1330 (D.C. Cir. 1993) (prohibiting the unauthorized importation into the United States of physically and materially different gray market goods).

<sup>5</sup> 19 CFR § 133.23.

<sup>6</sup> *See, e.g.,* J.T. McCarthy, McCarthy on Trademarks § 23:51 (2009) ("Consumer studies indicate that disclaimers are ineffective in curing consumer confusion over similar marks. In fact, in some instances, the use of a disclaimer can serve to aggravate, not alleviate, confusion over brands.") (citations omitted); Premier Dental Products v. Darby Dental Supply Co., 794 F. 2d 850, 859 (3d Cir. 1986) (gray market case rejecting disclaimer and criticizing Bell & Howell: Mamiya Co. v. Masel Supply Co., 719 F. 2d 42 (2d Cir. 1983), for suggesting that a disclaimer might work in a gray market context); Gamut Trading Company v. U.S. Intern. Trade Com'n, 200 F. 3d 775 (Fed. Cir. 1999) (upholding the International Trade Commission's (ITC) rejection of a disclaimer label involving gray market tractors); and Matter of Certin Cigarettes and Packaging Thereof, Inv. No. 337-TA-424, USITC Pub. 3366 (ITC Opinion Nov. 3, 2000).

from what the consumer expects. It does not, for example, provide an emergency telephone number or bring a gray market product into compliance with FDA or EPA regulations. Even if the label were effective, another concern is that the label could be removed, and therefore consumers may not encounter it in the marketplace.

As courts have noted, “Gray market goods by their nature, can be difficult to distinguish from genuine goods; they are often similar in composition and appearance to their United States counterparts....’[W]hen dealing with the importation of gray goods, a reviewing court must necessarily be concerned with subtle differences, for it is by subtle differences that consumers are most easily confused.’”<sup>7</sup> The labeling option under the Lever Rule does not address these subtle yet significant differences that cause confusion and undermine the goodwill that trademark owners have earned from consumers.

### **Proposed Changes**

For these reasons and in light of the risks posed by materially different gray market imports, INTA would like to improve the usefulness of the Lever Rule by the elimination of the label provision. In conjunction with the elimination of the label provision, we would also encourage Customs to focus more on enforcement to increase effectiveness of the detention of physically and materially different gray market goods, which in our opinion is consistent with the Lever Bros. decision and recent precedent. These changes would better assist consumers in avoiding confusion over materially different goods and bring the government’s approach to such goods more in line with the decisions of the Federal courts in this area.

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<sup>7</sup> Novartis, 2005 U.S. Dist. Lexis 15214 at \* 14 quoting Societe Des Produits Nestle S.A. v. Casa Helvetia, Inc., 982 F. 2d 633, 641 (1<sup>st</sup> Cir. 1992).

## **Conclusion**

INTA is pleased to have the opportunity to comment on the Joint Strategic Plan and fully supports its objectives. The enforcement of trademarks is important to preserving the health of the U.S. economy and to protecting the safety and security of the public. INTA believes that the Plan, which should reflect recommendations such as those provided above, will help to increase the level of attention, awareness and coordination in enforcement of trademarks that is needed to stem the flow of counterfeit goods into the U.S. and their distribution around the world. We look forward to an opportunity to view the Joint Strategic Plan once it is available. INTA stands ready to answer any questions that the IPEC may have and is available to discuss these recommendations in more detail. Please contact either of the following INTA representatives:

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## Disrupting Illegal Business of Vendors Who Sell Counterfeit Goods Through Rented or Leased Premises

November 7, 2007

### **ACTION REQUEST**

The Anti-Counterfeiting & Enforcement Committee (ACEC) requests that the Board of Directors approve a resolution setting out INTA's position aimed at disrupting the illegal business of vendors who sell counterfeit goods through leased or temporarily occupied premises

### **PROPOSED RESOLUTION**

**WHEREAS**, INTA has taken consistent positions against trademark counterfeiting throughout the world;

**WHEREAS**, best practices need to be identified to disrupt trade in counterfeit goods, particularly through legitimate supply channels;

**WHEREAS**, landlords that have knowledge that their tenants, other temporary occupants or stall holders deal in counterfeits and take insufficient action in response should be held contributorily or vicariously liable in order to meaningfully disrupt the illegal business in counterfeits; and

**WHEREAS**, the laws of most countries do not clarify the conditions under which a landlord may be held liable, but courts in various countries, including the U.S. and China, have done so;

**BE IT RESOLVED**, that the International Trademark Association urges governments, judicial authorities and other concerned parties to consider the following measures to meaningfully disrupt the illegal business of vendors who sell counterfeit goods through leased premises:

1. Ensure through new laws, regulations, administrative guidelines and judicial determinations, as appropriate, that landlords are held liable where, after being put on notice of counterfeiting or other trademark violations occurring on their premises, such landlords fail to proactively investigate the matter and, upon confirming the facts, take appropriate action to deter the tenants engaged in such activities which may include terminating the leases of such tenants or otherwise removing them from the premises;
2. Require landlords of tenants that have previously been found liable for counterfeiting or other trademark violations to take reasonable steps to prevent or otherwise control future violations on their premises, e.g., through regular searches of leased premises/stalls, the adoption of new lease contracts explicitly banning dealings in offending goods, and the imposition of bans on tenant dealings in particular brands;
3. Clarify the conditions under which a landlord may be held criminally and civilly liable under the theories of contributory liability, aiding and abetting and vicarious liability;
4. Treat as proceeds of crime (i.e., money laundering), the income derived by landlords who knowingly rent or lease premises to tenants that deal in counterfeit goods from such leased premises; and

5. Establish rules requiring that all those who rent their premises/property to others, whether as landlords or licensors, so that those tenants/licensees may sell goods to the public, obtain from their tenants/licensees and retain records as to their identities and addresses, including vehicle identification if vehicles are brought onto the premises, with failure to do the same leading to possible criminal sanctions and/or financial penalties.

## **BACKGROUND**

The ACEC is of the view that civil, and in extreme cases, criminal liability should be imposed on landlords that lease premises to parties that deal in counterfeit goods. Such liability is necessary to address rampant counterfeiting in many developed and developing countries. Practically speaking, police and brand owners in many countries have insufficient resources to cost-effectively address counterfeiting. There have been a number of circumstances around the world where such liability has been confirmed based on broad provisions in intellectual property legislation. A few such instances are also discussed in the paragraphs below. The ACEC considers these instances as “best practices” in this area. And in regions where landlord liability theories have been established, brand owners have found it easier to cooperate with landlords in dealing with counterfeiting (as well as copyright violations) on a much more cost-effective basis, and without the need to draw on government resources.

### ***Supplying Convenience to Infringers***

ACEC has noted the developments in landlord liability litigation in China, in particular the “Silk Street Market” case, decided in 2006 in Beijing. The Silk Street Market is one of the most well known markets offering counterfeits in China, and managed by a company called Beijing Xiushui Street Garment Market Company Limited (“Xiushui”). Louis Vuitton Malletier, Burberry, Prada, Gucci and Chanel separately sued individual vendors and Xiushui in joint proceedings for trademark infringement on almost identical facts and grounds. Prior to filing suit, the warning letters had been sent to Xiushui requesting that it take measures to stop the infringing activities. Notwithstanding this notice, the landlord took no action to stop the vendors from continuing to sell counterfeits and legal actions were then taken against the vendors and the landlord. Evidence was also submitted during the proceedings regarding the overall lax efforts of the landlord to control counterfeiting. A decision in the first instance was issued in December 2005 by the No. 2 Intermediate People’s Court, followed by an appeal decision issued in April 2006 by the Beijing Higher People’s Court, both of which found that Xiushui, as manager of the market, had a duty to take timely and effective measures to stop infringements, thereby constituting contributory liability under the PRC Trademark Law (or more specifically “providing facilitating conditions” to infringement). The Defendants were ordered to stop the infringement and pay a relatively small amount of compensation for damages and legal expenses.

In deciding that there was landlord liability, the People’s High Court of Beijing considered four main legal issues, namely (1) whether the individual infringed the trademark owners’ rights; (2) whether the landlord bore a duty to take timely and effective measures to stop the infringements within the marketplace it managed and controlled; (3) whether the landlord had the requisite knowledge; and (4) whether the landlord furnished the conditions that facilitated the vendors’ infringements.

The Court found in favor of the trademark owners on all four issues, on the basis that: the individual vendor was clearly infringing the trademark owners’ registered trademark rights; the lease contracts with the individual vendors provided that Xiushui furnished premises for the individual businesses upon receipt of rentals and a deposit; the plaintiffs had sent warning letters putting the landlord on notice of the infringements but failed to respond or investigate the allegations in the notice; and that the landlord had the power to determine the business scope and types of goods sold by the vendors.

The Supreme People's Court published a notice in April 2007 recognizing the appeal court decision a "Top 10" case of 2006, thereby increasing its persuasive influence on courts nationwide. That same month, the national government included landlord liability as a new plank in the country's 2007 IP enforcement "Action Plan."

Building on the above, brand owners have recently been able to establish cooperative arrangements with landlords in major cities in China, which has led to more cost-effective enforcement. Local Administrations for Industry and Commerce in certain cities have also imposed fines on a number of landlords (including Xiushui) as a means of encouraging them to take more proactive measures to prevent and stop counterfeiting.

The ACEC consequently recommends that INTA urge governments to ensure through new laws, regulations, administrative guidelines and judicial determinations, as appropriate, that landlords are held liable where, after being put on notice of counterfeiting or other trademark violations occurring on their premises, such landlords fail to proactively investigate the matter and, upon confirming the facts, take appropriate action to deter the tenants engaged in such activities which may include terminating the leases of such tenants or otherwise removing them from the premises.

### ***Frequent Searches and Immediate Eviction***

ACEC notes that in June 2004 the Thai Ministry of Commerce, along with a number of private sector representatives and law enforcement agencies, signed a Memorandum of Understanding (MOU), which primarily dealt with copyright piracy at the retail level. In the summer of 2006, the same parties entered into a new Memorandum of Understanding or MOU to coordinate efforts and cooperation among the private sector, police agencies and law enforcement to provide a more effective regime to deal with the infringement of intellectual property rights, and particularly counterfeit and pirated goods. In specific geographic areas known as "special restricted areas" or "restricted areas," there was an agreement that the government would conduct IP enforcement against counterfeit products in special restricted areas, whereas the private sector would be responsible for enforcement in restricted areas.

Under Thai law, there are no explicit provisions to deal with vicarious or contributory liability for infringement. Rather than reform Thai law to enable IPR owners to take legal action against landlords, the Thai IP enforcement and policy officials have used the MOU mechanism to seek landlord cooperation. A key element of the new MOU is the obligation of department stores and landlords to immediately terminate leases of tenants where the Department of Intellectual Property informs the store that the tenant has been prosecuted for IP infringement.

ACEC also notes that many of its member companies have been pursuing theories of third party liability against landlords or other property owners at locations where counterfeit goods are sold. This approach is particularly popular in New York City where in addition to the body of Federal case law on the subject, there is a section of the New York Real Property law (NY RPL 231) that specifically supports a finding of liability against a landlord for illegal acts committed by a tenant on the premises if the landlord had notice of these illegal acts and failed to respond appropriately. The New York State Courts have concluded that trademark counterfeiting is an illegal activity under this statute and it is therefore applicable to situations where counterfeit goods are sold from the premises. In addition, New York City government agencies (NYPD, District Attorney's Offices, Mayor's Office) have also followed this same approach and have relied heavily on the New York City Administrative Code, specifically Section 7-703, which enables the City to padlock any "building, erection or place" and levy fines on its owner when such building or place is found to be used for commission of an ongoing nuisance like trademark counterfeiting.

Trademark owners have also entered into binding agreements with property owners which can

provide for the entry of Permanent Injunctions on Consent, inclusion of terms in future leases with tenants that specifically prohibit the sale of counterfeit goods on the premises, immediate eviction of tenants found to be in violation of these lease terms, posting signs indicating that counterfeit goods are prohibited from sale at locations and frequent monitoring of the locations at the property owners expense to prevent the ongoing trafficking in counterfeit goods from their premises.

Therefore, ACEC recommends that INTA urge governments to require landlords of tenants that have previously been found liable for counterfeiting or other trademark violations to take reasonable steps to prevent or otherwise control future violations on their premises, e.g., through regular searches of leased premises/stalls, the adoption of new lease contracts explicitly banning dealings in offending goods, and the imposition of bans on tenant dealings in particular brands.

### ***Aiding and Abetting***

ACEC has also noted the case of *Redcar & Cleveland Borough Council v Bank* in the UK, which was the pioneering case in 2003 of successful criminal prosecution against a landlord in connection with counterfeits sold on premises it owned or controlled. The case involved several sellers at local fairs who were prosecuted for selling counterfeit goods. In addition, the operator of the sales at Redcar Racecourse, Mr Banks, was charged with aiding and abetting the sale of counterfeits. Mr. Banks argued that he should escape liability on the grounds that he was not an expert in counterfeit goods, that he had not been there at the time when most of the sales took place and, finally, that the traders hid their counterfeit products from him when he was in their vicinity. These arguments did not succeed. The Court held that although there was no evidence that Mr. Banks was involved in selling the goods himself, the counterfeit nature of the goods was self-evident. His failure to prevent the crime amounted to aiding and abetting offenses under the Copyright Designs and Patents Act 1988 and the Trade Marks Act 1994. Mr. Banks was found guilty of 24 counts of copyright and trademark offenses and fined £6,000 plus £2,000 costs.

Therefore, ACEC recommends that INTA urge governments to establish liability regimes whereby landlords are liable for trademark infringement or counterfeiting offenses when they fail to prevent trademark counterfeiting offenses on the premises that have been rented or leased by such landlords and in those situations where the counterfeit nature of the goods was self-evident to the landlord who failed to prevent/stop the crime, thereby aiding and abetting to the trademark counterfeiting offenses.

### ***Money Laundering Prosecution***

ACEC has noted that the Hertfordshire Trading Standards in UK recently succeeded with an innovative prosecution against the owners and directors of Wendy Fair Markets where counterfeit goods were regularly found. The owners were prosecuted and found guilty of a series of money laundering offenses under the UK's Proceeds of Crime Act, 2002, section 328(1) which makes it an offense to become concerned in "an arrangement" which one knows or suspects facilitates the acquisition, retention, use or control of "criminal property." The criminal property in this case was the money, in the form of rent, derived from those stallholders selling counterfeits, which is a criminal offense. It was enough that the market owners knew, or suspected, that the money had been generated through a trade in counterfeit goods and this was established by the number of warnings given to the owners before the prosecution.

ACEC notes that this approach is likely to have a real impact on the trade in counterfeits, particularly if there is a greater move to confiscating the assets of those dealing in or otherwise benefiting from counterfeits. Through a previous Board resolution, INTA recommends criminalization of the laundering of proceeds from counterfeiting to ensure that counterfeiters are not profiting from their crimes and strengthening confiscation regimes that provide for the

identification, freezing, seizure and confiscation of funds and property acquired through counterfeiting. In the light of the aforesaid, ACEC further recommends that INTA urge governments to treat as proceeds of crime, the rent income derived by landlords who knowingly rent or lease premises to the tenants that sell counterfeit goods from such rented or leased premises.

### ***Keeping Records***

ACEC has noted the utility of the Kent County Council Act and the Medway Council Act 2001 (the "Kent Act"), which was the first clear foray into enforcing landlord liability in the UK. It was designed to regulate the trade in second hand goods and, in particular, to hamper the disposal of stolen property. The Kent Act requires dealers in second hand goods to be registered and for landlords hosting such sales to keep certain records relating to the sellers. A failure to observe the obligations could lead to criminal sanctions and/or financial penalties. It is widely acknowledged that these measures have been effective in reducing the trade of counterfeit goods in the county of Kent. However, this legislation only relates to one relatively small region in the southeastern UK.

Therefore, ACEC recommends that INTA urge governments to establish rules requiring all those who rent their premises/property to others, whether as landlords or licensors, so that those tenants/licensees may sell goods to the public, shall obtain from their tenants/licensees and retain records as to their identities and addresses, including vehicle identification if vehicles are brought onto the premises, with failure to do the same leading to possible criminal sanctions and/or financial penalties.



## **Model State Anti-Counterfeiting Bill**

*An Act to Provide for the Protection of Trademarks against counterfeiting*

(Be it enacted, etc.)

### **Section 1. Definitions**

For the purposes of this section:

- a. The term “counterfeit mark” means:

a spurious mark--

(1) that is applied to or used in connection with any goods, services, labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging or any other components of any type or nature that are designed, marketed, or otherwise intended to be used on or in connection with any goods or services;

(2) that is identical with, or substantially indistinguishable from, a mark registered in this state, any state or on the principal register in the United States Patent and Trademark Office and in use, whether or not the defendant knew such mark was so registered; and

(3) the application or use of which either (i) is likely to cause confusion, to cause mistake, or to deceive; or (ii) otherwise intended to be used on or in connection with the goods or services for which the mark is registered.

- b. [Definition of “person” under state statutory scheme if necessary.]

- c. The term “retail value” means:

(1) the counterfeiter’s regular selling price for the goods or services, unless the goods or services bearing a counterfeit mark would appear to a reasonably prudent person to be authentic, then the retail value shall be the price of the authentic counterpart; or if no authentic reasonably similar counterpart exists, then the retail value shall remain the counterfeiter’s regular selling price.

(2) in the case of labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging or any other components of any type or nature that are designed, marketed, or otherwise intended to be used on or in connection with any goods or services, the retail value shall be treated as if each component was a finished good and valued as detailed in Section 1 (c) (1) above.

(Section 1(d) – 1(e) should be conformed to the pre-existing definitions within each state for bodily injury and serious bodily injury or their equivalents. The definitions below are based upon federal law.)

- d. the term “bodily injury” means—
  - (1) a cut, abrasion, bruise, burn, or disfigurement;
  - (2) physical pain;
  - (3) illness;
  - (4) impairment of the function of a bodily member, organ, or mental faculty; or
  - (5) any other injury to the body, no matter how temporary.
  
- e. the term “serious bodily injury” means bodily injury which involves—
  - (1) a substantial risk of death;
  - (2) extreme physical pain;
  - (3) protracted and obvious disfigurement; or
  - (4) protracted loss or impairment of the function of a bodily member, organ, or mental faculty.

## **Section 2. Presumption**

A person having possession, custody or control of more than 25 goods, labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging or any other components of any type or nature bearing a counterfeit mark shall be presumed not to be simply in possession of such, but to possess said items with intent to offer for sale, sell or distribute.

## **Section 3. Violation**

Any person who knowingly manufactures, distributes, transports, offers for sale, sells, or possesses with intent to sell or distribute any goods, services, labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging or any other components of any type or nature that are designed, marketed, or otherwise intended to be used on or in connection with any goods or services bearing a counterfeit mark shall be guilty of:

- a. Trademark Counterfeiting as Class \_\_\_\_ Misdemeanor if:

the offense involves less than 100 items bearing 1 or more counterfeit marks or the total retail value of \$ 2,500 or less.

[Maximum Jail Term of 1 Year]

- b. Trademark Counterfeiting as a Class \_\_\_\_ Felony, if :

(1) the offense involves 100 or more, but less than 1000 items bearing 1 or more counterfeit marks or the total retail value is more than \$ 2,500 but less than \$10,000; or

(2) the offense is a subsequent offense under paragraph 3(a).

[Maximum Prison Term of 10 Years]

c. Trademark Counterfeiting as a Class \_\_\_\_ Felony, if :

(1) the offense involves 1,000 or more items bearing 1 or more counterfeit marks or the total retail value is \$10,000 or greater; or

(2) the offense is a subsequent felony under paragraph 3(b)(1) of this section; or

(3) by the commission of any offense under this section, the offender knowingly or recklessly causes or attempts to cause the bodily injury of another.

[Maximum Prison Term of 20 Years]

d. Trademark Counterfeiting as a Class \_\_\_\_ Felony, if :

by the commission of any offense under this section, the offender knowingly or recklessly causes or attempts to cause the serious bodily injury or death of another.

[Maximum Prison Term of 30 Years]

e. Any person convicted of an offense under this section shall be fined in accordance with [reference State statute re: fines in punishment of misdemeanors and felonies], or up to three times the retail value of the items seized, manufactured, and/or sold, whichever is greater.

#### **Section 4. Seizure, Forfeiture, Disposition, and Restitution**

a. The following property shall be subject to forfeiture to the State of \_\_\_\_\_ and no property right shall exist in such property:

(1) Any article bearing or consisting of a counterfeit mark used in committing a violation of this Act.

(2) Any property used, in any manner or part, to commit or to facilitate the commission of a violation of this Act.

b.

(1) The court, in imposing sentence on a person convicted of an offense under this section, shall order, in addition to any other sentence imposed, that the person forfeit to the State of \_\_\_\_\_, --

(A) any property constituting or derived from any proceeds the person obtained, directly or indirectly, as the result of the offense;

(B) any of the person's property used, or intended to be used, in any manner or part, to commit, facilitate, aid, or abet the commission of the offense; and

(C) any item that bears or consists of a counterfeit mark used in committing the offense.

(2) The forfeiture of property under subparagraph (1), including any seizure and disposition of the property and any related judicial or administrative proceeding, shall be governed by the procedures set forth in section [Relevant section of State Statutes].  
(EXCLUDE THIS PARAGRAPH IF NO RELEVANT STATE FORFEITURE STATUTE EXISTS)

- c. At the conclusion of all criminal and / or civil forfeiture proceedings, the court shall order that any forfeited item bearing or consisting of a counterfeit mark be destroyed or alternatively disposed of in another manner with the written consent of the trademark owners.
- d. When a person is convicted of an offense under this section, the court, pursuant to sections [If Relevant section(s) of State Statute Exist], shall order the person to pay restitution to the trademark owner and any other victim of the offense as an offense against property referred to in section [If Relevant section(s) of State Statute Exist]. In determining the value of the property loss involving an offense against the trademark owner, a court shall grant restitution for any and all amounts, including, but not limited to, expenses incurred by the trademark owner in the investigation and/or prosecution of the offense as well as the disgorgement of any profits realized by a person convicted of such offense.

## **Section 5. Other Provisions**

1. In this state, any state or federal certificate of registration shall be prima facie evidence of the facts stated therein.
2. The remedies provided for herein shall be cumulative to the other civil and criminal remedies provided by law.



International Trademark Association

## Addressing the Sale of Counterfeits on the Internet

### The Issue

In the global environment, the sale of counterfeit goods remains a significant issue facing consumers, industry and governments alike. The advent and subsequent rapid development of the Internet has raised the problem to heightened levels as counterfeiters find simplified means and additional channels in cyberspace to promote and sell counterfeit products to consumers.

A number of key factors have spurred the growth of counterfeit sales online:

- Worldwide reach of the Internet means that sellers of counterfeits can reach consumers all over the world and are not limited to 'brick and mortar' establishments. Likewise, consumers who have access to the Internet are more exposed to and have more opportunities to knowingly or unknowingly purchase counterfeits from sellers within or outside their respective countries.
- Payments can be made entirely online. Therefore, it is not only consumers who can purchase counterfeits using the Internet; retailers, wholesalers, re-sellers or anyone else with a credit card can shop for counterfeits online.
- The anonymity gained from operating via the Internet allows counterfeiters to more easily dupe consumers into thinking they are buying genuine products. A number of factors contribute to this:
  - Entering a trademark owner's trademark into a search engine does not guarantee that each website in the search results (whether in the natural results or the sponsored links) offers only genuine products of the trademark owner. Online sellers of counterfeits, like online sellers of genuine branded products, can take steps to achieve higher listings for their websites in the natural results and (under current U.S. law in at least some jurisdictions) purchase a trademark owner's trademark as a keyword to secure a listing in the sponsored results. Online purchasers seeking to buy genuine products – and intending to pay for genuine products – may instead receive links to sites selling counterfeits.
  - Internet sellers can easily post pictures showing genuine products, but then ship counterfeits to those consumers once the sale is placed online. This is in contrast to sales at brick-and-mortar stores, where consumers can see and handle the product they are purchasing.

## The Impact

Increased sales and access to counterfeits pose serious threats to the economy and to public health and safety. The Organization for Economic Cooperation & Development (“OECD”) noted in the recent study on “The Economic Impact of Counterfeiting and Piracy” that the Internet has provided counterfeiters with a new and powerful means to sell their products, suggesting that a significant share of the counterfeit trade is attributable to the Internet.<sup>1</sup> Public health and safety are put at grave risk by counterfeit pharmaceuticals, airplane and automotive parts and electronic goods that are made with substandard and/or toxic materials.

It has also facilitated counterfeiting activities conducted by organized criminals. The OECD report shows that criminal networks and organized crime thrive via counterfeiting and piracy activities.<sup>2</sup> U.S. authorities have reported that sales of counterfeit goods, including fake medicine, have been used to support the Middle-Eastern terrorist group Hezbollah.<sup>3</sup> Counterfeiting proceeds have been linked by other investigators to Al-Qaeda, the Irish Republican Army, ETA, the Mafia, Chinese Triad gangs, the Japanese Yakuza crime syndicates, Russian organized criminals and international illegal drug cartels.<sup>4</sup>

## The Discussions

While the link between the increased sales of counterfeits on the Internet and the harms caused to businesses and the public is clear, the solution to the issue is complex and challenging. As a result, how to address the sale of counterfeits on the Internet has become a hotly debated topic within industry and policy-makers, alike. Questions on who is responsible for curbing the problem and what legal, policy and/or voluntary measures are needed have been widely discussed in industry and government forums. Measures to address the issue are under consideration at the international level, such as the Anti-Counterfeiting Trade Agreement (ACTA) – a plurilateral trade agreement with the objective of raising standards in combating counterfeiting and piracy.

Counterfeit sales over the Internet have become a priority for INTA. After in-depth study and debate over several years, INTA’s Anti-Counterfeiting and Enforcement Committee (ACEC) presented its analysis and initial recommendations to INTA’s Board in 2008. As a result, two task forces were formed to examine and develop recommendations on practical ways for trademark owners, online marketplaces, search websites and payment service providers (PSPs) to address the sale of counterfeits over the Internet. One task force was comprised of online

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<sup>1</sup> OECD, [“The Economic Impact of Counterfeiting and Piracy – Executive Summary”](#)

<sup>2</sup> OECD, [“The Economic Impact of Counterfeiting and Piracy – Executive Summary”](#)

<sup>3</sup> Id.

<sup>4</sup> Carratu International, Plc, [“Rise in Counterfeit Market Linked to Terrorist Funding,”](#) June 26, 2002

marketplace and search websites, while the other task force was comprised of PSPs. Trademark owners who are victims of online counterfeiting participated in both task forces.

The task forces explored ways for trademark owners and online service providers to work cooperatively to address the sale of counterfeits over the Internet. The end result was the development of voluntary best practices for trademark owners and Internet-related companies aimed at facilitating the protection of trademarks on the Internet. These best practices were presented to the INTA Board in May, 2009.

One important outcome of the best practices is that contact information for online service providers has been provided for use when notifying them of sales of counterfeits on the Internet – an important course of action for trademark owners attempting to take down or disrupt the sale of these illegal products. Yahoo!, eBay, Google, American Express, MasterCard, Visa, Discover and PayPal were among those who participated in and contributed contact information to the best practices.

### **[Best Practices for Addressing the Sale of Counterfeits on the Internet](#)**

#### **Future Considerations**

Addressing the sale of counterfeits online will continue to be challenging and complex. The Internet is unquestionably changing the way commerce and business is being conducted around the world. Continued technological advances and innovations mean that the Internet will evolve and allow sellers and buyers to interact in multiple ways in the virtual world. Furthermore, differences in business models and operations of Internet Service Providers (ISPs), search engines and other online players as well as trademark owners make it challenging to develop one solution to tackle the entire problem.

To be sure INTA's best practices and voluntary measures will need to evolve in order to adapt to the changing virtual and technological environment. INTA will be looking for opportunities to promote adoption of the best practices and gain member feedback on their usefulness. INTA sees the best practices as a valuable first step towards bringing together the stakeholders - online marketplaces, shopping services, search sites, payment service providers and trademark owners – so that they can begin to effectively cooperate in the effort to combat the sale of counterfeits on the Internet.

#### **Contact**

Candice Li, External Relations Manager – Anti-Counterfeiting

Email: [cli@inta.org](mailto:cli@inta.org)

# Best Practices for Addressing the Sale of Counterfeits on the Internet

## Best Practices for Search Sites

1. Applicable terms of service, content and other guidelines should expressly and clearly prohibit counterfeiting activities by advertisers and other users of search engine services; search engines should actively enforce these terms and guidelines.
2. Additional appropriately placed warnings and/or reminders should be considered.
3. Search engines should have a clear and effective process publicly available to deal with counterfeiting abuse. Such process shall specify, at a minimum, the information required to be reported by the trademark owner, which shall not be unduly burdensome; when, where and how such information is to be reported; and the process by which and time frame within which the search engine will act upon such reports. Search engines should furnish timely and effective responses to such reports that conform to their stated process requirements.
4. Trademark owners and search engines should work collaboratively in an open, consultative exchange to target counterfeiting abuse that may take place within a given search engine's services.
  - Examples of such targeting might include blocking or flagging for heightened review certain suspect terms that may be indicative of counterfeiting activity.
5. Determining the most appropriate technique(s) for targeting abuse may vary depending on the facts, bearing in mind that:
  - the trademark owner has greater insights into:
    - its own trademarks (particularly those which are not famous or well-known),
    - common abuses of its marks, products/services,
    - identifying counterfeit versions of its products, and
    - identifying recidivist counterfeiters of its brand.
  - the search engine has greater insights into:
    - the technological issues inherent in any attempt to accurately target and eliminate problematic categories of abuse, such as counterfeiting, including:
      - filtering and blocking can sweep too broadly and encompass legitimate results
      - massive resources are needed to develop and stay current with such technology

- the technological issues involved in correctly identifying a user of any online service, even when the search engine has a contractual relationship with that user
  - the enormous volume of users of any given search engine’s services, which makes timely and accurate manual – or even automatic - processing of ads, complaints, etc. extremely difficult
  - business resistance to resource-intensive “fixes” when such “fixes” have not been shown to have the effect of reducing or deterring abuse
  - identifying recidivist counterfeiters of multiple brands based on activities on the search engine’s website.
6. Search engines should take steps on an ongoing basis (through forums such as INTA) to educate trademark owners as to their policies and procedures for dealing with counterfeiting abuse.

### **Best Practices for Marketplace and Shopping Sites**

1. Marketplace and shopping sites shall take steps to educate their users, and actively discourage infringing activity, in connection with listings available through the marketplace’s and shopping site’s services.
  - For example, users offering to sell items that a marketplace or shopping site, in its discretion, believes may infringe third party rights, should be reminded (through the use of targeted click-through notices and/or click-through authenticity attestations) that the services may only be used in a way that is consistent with applicable laws and terms of service.
2. Such messaging should also advise users as to the possible consequences for violating applicable policies or laws, which may include permanent loss of access to the service and reference to appropriate law enforcement officials.

### **Best Practices for Payment Service Providers (PSPs)**

1. Payment Service Providers (PSPs) should have policies in place prohibiting the use of their services for the purchase and sale of goods that are determined to be counterfeit under applicable law.
2. PSPs should have procedures for trademark owners to report websites (in accordance with 1(a) through 1(f) below) that use a PSP’s network to process payments for the sale of allegedly counterfeit goods. An example of an efficient reporting procedure includes, but is not limited to, a single email address or online reporting form through which trademark owners can submit allegations of counterfeit sales activity.

3. Upon receipt of at least 1(a) through 1(f) (set forth below) from the trademark owner, and after a reasonable period of time for review, PSPs may provide (or may request that others provide, as appropriate) reasonable feedback to the trademark owners with respect to its findings.
4. PSPs may reserve the right to allow the website owner/operator to respond to the allegations and/or cure the alleged violation prior to responding to the trademark owner or making a determination on appropriate remedies.
5. If a PSP observes repeated violations of the PSP's policies and applicable trademark laws through the use of its payment service, PSPs may choose to impose appropriate remedies in accordance with their own internal procedures, including, for example, termination of service.

## **Best Practices for Trademark Owners**

### ***Relating to Search, Online Marketplace, and Shopping Sites***

1. Trademark owners should take steps on an ongoing basis to educate the public as to their trademarks.

### ***Relating to PSPs***

1. In working with PSPs on combating online sales of counterfeits, the trademark owners should provide the following information such as:
  - a. A detailed description of the transactions alleged to be illegal;
  - b. Information identifying the website where the alleged transactions occurred;
  - c. Evidence that the alleged counterfeit item was purchased using the PSP's services;
  - d. Proof of ownership of a registered trademark in one or more of the applicable jurisdictions;
  - e. A representation that the sale of the counterfeit goods at issue will cause damage to the trademark owner; and
  - f. A description of the trademark owner's good faith efforts to resolve the issue directly with the seller of the alleged counterfeit goods (or an explanation as to why such efforts have not been made).
2. The trademark owners should agree to indemnify and hold harmless the PSP (and, as applicable, other involved parties) against all liability for monetary damages, costs and attorneys' fees awarded to sellers of alleged counterfeit goods for unlawful termination of the PSP's services resulting from the trademark owner's complaint.

3. If trademark owners try to make a purchase using a PSP's services and are unable to do so notwithstanding the appearance of the PSP's trademark on the website, the trademark owners are encouraged to report that potential misuse of the PSP's trademark to the PSP.

## CONTACT INFORMATION FOR COMPLAINTS TO PARTICIPATING PSPs\*

### **American Express**

[trademarkabuse@aexp.com](mailto:trademarkabuse@aexp.com)

### **MasterCard**

[abuse@mastercard.com](mailto:abuse@mastercard.com)

### **Visa**

[Inquiries@visa.com](mailto:Inquiries@visa.com)

### **Discover**

[RiskOperations@discover.com](mailto:RiskOperations@discover.com)

### **PayPal**

*\* This list is current as of August 3, 2009*

## CONTACT INFORMATION FOR COMPLAINTS TO PARTICIPATING INTERNET PLAYERS

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The above information can found on the INTA website at the following [link](#).

**Memorandum to: ACTA Negotiators**

**Subject: Business Perspectives on Recently Released “Summary of Key Elements Under Discussion”**

**From: Concerned business groups operating in ACTA nations**

**Date: July 1, 2009**

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Since ACTA negotiations were initiated in June 2008, the business community has widely and openly welcomed the initiative and has sought to contribute support and expertise to the process. Through an *ACTA Business Response Group* comprised of some 30 business organizations working across sectors and within many of the ACTA countries, we have provided governments of negotiating parties with input on various provisions upon which ACTA is being created. We have also sought to participate and provide views to the various public hearings sponsored by governments and to respond to official calls for comment from the public.

Within this context, we have welcomed the public availability of the document entitled, *Anti-Counterfeiting Trade Agreement - Summary of Key Elements Under Discussion*, released by many of the ACTA negotiating governments in early April. With this memorandum, we respectfully submit views in response to the negotiating topics delineated in the “Summary” document.

Our views are organized into a table format for ease of reference. In the left column, we list ACTA provisions as they appear in the Summary document. In the middle column, we provide relevant recommendations we have put forward in our previous memorandums to you. In the right column, we provide additional views, for example, where we have not commented in the past or where we wish to provide further information or clarification.

Generally, we support the Objectives stated in the Summary and the statement made in the Structure and Content section, which stated that ACTA “aims to build on existing international rules in the area of intellectual property, in particular on the TRIPS Agreement...” It is our hope that ACTA will create higher standards and stronger cooperation on combating counterfeiting and piracy.

As always, we stand ready to provide further assistance to the ACTA negotiators where needed and relevant.

***Anti-Counterfeiting Trade Agreement - Summary of Key Elements Under Discussion***

**(released by many of the ACTA negotiating governments in April 2009)**

**CHAPTER TWO**

**LEGAL FRAMEWORK FOR ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS**

**Section 1: Civil Enforcement**

The following table compares provisions delineated in *Summary of Key Elements under Discussion* with recommendations set forth in the ACTA Business Response Group (BRG) memorandum to ACTA negotiators dated 28 July 2008, entitled “Business Perspectives on Border Measures and Civil Enforcement.”

<b>Provisions delineated in <i>Summary of Key Elements under Discussion</i></b>	<b>BRG views previously submitted to ACTA negotiators</b>	<b>Additional comment and clarification</b>
<ul style="list-style-type: none"> <li>- scope of the section – which intellectual property rights would be covered by the provisions of this section;</li> </ul>	<p>No prior recommendation on this issue.</p>	<p>We support the original intention of the Anti-Counterfeiting Trade Agreement (ACTA) to encompass trademark counterfeit and copyright pirated goods.</p>
<ul style="list-style-type: none"> <li>- the definition of adequate damages and the question of how to determine the amount of damages, particularly when a right holder encounters difficulties in calculating the exact amount of damage it has incurred;</li> </ul>	<p>Encourage governments to develop calculation methods that lead to fines against counterfeiters and pirates commensurate to the harms caused in order to increase the deterrent impact of fines, and impose sanctions, such as contempt of court, for failure of violators to pay such fines. Calculation methods can be based on information provided by right holders. Right holders should be allowed to elect award of either actual damages suffered or pre-established</p>	<p>We support including this element and suggest the negotiators consider the recommendation put forth in the memorandum.</p>

<b>Provisions delineated in <i>Summary of Key Elements under Discussion</i></b>	<b>BRG views previously submitted to ACTA negotiators</b>	<b>Additional comment and clarification</b>
	damages.	
<ul style="list-style-type: none"> <li>- the authority of the judicial authorities to order injunctions which require that a party desist from an infringement;</li> </ul>	No prior recommendation on this issue.	We support this approach and element in ACTA.
<ul style="list-style-type: none"> <li>- remedies, including the destruction of goods that have been found to be infringing an intellectual property right and under what conditions and to what extent materials and implements that have been used in the manufacture or creation should be destroyed or disposed of outside the channels of commerce;</li> </ul>	<p>Counterfeit and pirated goods should be destroyed and definitively removed from the channels of commerce, or disposed of with the rights holders' consent where there is no health or safety risk.</p> <p>Destruction of the seized goods and materials and implements used to manufacture them should be conducted in a manner that minimizes risks of further infringements.</p>	We support including this element and suggest the negotiators consider the recommendation put forth in the memorandum.
<ul style="list-style-type: none"> <li>- provisional measures, such as the authority for judicial authorities or other competent authorities to order, in some circumstances, the seizure of goods, materials or documentary evidence without necessarily hearing both parties; and</li> </ul>	Grant officials authority to order and/or execute seizure of the infringing goods, and materials and implements used to manufacture and/or package the infringing goods, as well as other physical and financial assets of violators...	We support including this element and suggest the negotiators consider the recommendation put forth in the memorandum.
<ul style="list-style-type: none"> <li>- the reimbursement of reasonable legal fees and costs.</li> </ul>	Allow right holders to recover costs incurred in the detection, investigation and prosecution of acts of counterfeiting and piracy. Costs that can be recovered by the right holder can include court costs or fees, reasonable attorneys' fees, and storage and destruction fees.	We support including this element and suggest the negotiators consider the recommendation put forth in the memorandum.

<b>Provisions delineated in <i>Summary of Key Elements under Discussion</i></b>	<b>BRG views previously submitted to ACTA negotiators</b>	<b>Additional comment and clarification</b>
Not addressed	Provide rights holders who are victims of counterfeiting and piracy the right to obtain information regarding the infringer, including their identities, means of production or distribution, and relevant third parties.	This issue has not been addressed in the Summary. We strongly urge ACTA negotiators to consider this recommendation.

## Section 2: Border Measures

The following table compares provisions delineated in *Summary of Key Elements under Discussion* with recommendations set forth in the ACTA Business Response Group (BRG) memorandum to ACTA negotiators entitled “Business Perspectives on Border Measures and Civil Enforcement.”

<b>Provisions delineated in <i>Summary of Key Elements under Discussion</i></b>	<b>BRG views previously submitted to ACTA negotiators</b>	<b>Additional comment and clarification</b>
<ul style="list-style-type: none"> <li>- scope of the section – which intellectual property rights will be covered, and whether border measures should only apply to importations or should equally apply to the export and the transit of goods;</li> </ul>	<p>Extend greater authority and effective powers to local customs and enforcement authorities and provide <i>ex officio</i> authority for customs authorities to <u>suspend import, export and trans-shipment of goods, including merchandise in free trade zones, which are suspected of being counterfeited or pirated.</u></p> <p>Ensure close cooperation between national customs authorities and the special authorities of their free trade zones or free ports in order to provide for the efficient enforcement of anti-</p>	<p>Issues covering exportation, transshipment, free trade zones and in-transit goods are also key in combating counterfeiting and piracy, particularly in light of the increasingly sophisticated methods of manufacturing and transporting counterfeit and pirated goods. It is therefore critical that border measures set forth in ACTA cover these issues.</p>

Provisions delineated in <i>Summary of Key Elements under Discussion</i>	BRG views previously submitted to ACTA negotiators	Additional comment and clarification
	<p>counterfeiting and anti-piracy laws to check the offences of trafficking in counterfeit and pirated goods. This would include the seizure of equipment or materials suspected of being used to produce infringing merchandise.</p>	
<ul style="list-style-type: none"> <li>- a <i>de minimis</i> exception that could permit travelers to bring in goods for personal use;</li> </ul>	<p>No prior BRG recommendation on this issue.</p>	<p>The demand in counterfeit and pirated goods is a key contributing factor to counterfeiting and piracy. We believe governments should strongly discourage consumers from purchasing and importing counterfeits.</p> <p>While, we support the stated objective of ACTA with regards to targeting counterfeiting and piracy activities that significantly affect commercial interests rather than the activities of ordinary citizens, we believe making an explicit exception that permits travelers to bring in goods for personal use sends a wrong message to consumers that buying counterfeits is accepted by the government. This inevitably contradicts future public awareness efforts that would be outlined in Chapter Four: Enforcement Efforts of ACTA. We urge ACTA negotiators not to include a <i>de minimis</i> exception.</p>

Provisions delineated in <i>Summary of Key Elements under Discussion</i>	BRG views previously submitted to ACTA negotiators	Additional comment and clarification
<ul style="list-style-type: none"> <li>- procedures for right holders to request customs authorities to suspend the entry of goods suspected to infringe intellectual property rights at the border;</li> </ul>	<p>Establish clear procedures for right holders to initiate suspension by customs authorities of import, export and trans-shipment of suspected IPR infringing goods, including (a) all relevant and reasonably available evidence that is in its control, which is needed to establish a <i>prima facie</i> case for the party's claims or defenses; (b) reasonable security or equivalent assurance sufficient to protect the defendant and the competent authorities to prevent abuse. Bond requirements, however, should be eliminated as a condition to processing counterfeiting cases by customs. At the very least, the requirements should be established at a reasonable level so as not to deter the procedures. Governments should also take appropriate steps to reduce or eliminate the burdens on trademark owners of suffering costs of storage and destruction of counterfeit goods.</p>	<p>We support including this element and suggest the negotiators consider the recommendation put forth in the memorandum.</p>
<ul style="list-style-type: none"> <li>- authority for customs to initiate such suspension <i>ex officio</i> (on their own initiative, without a request from the rights holder);</li> </ul>	<p>Extend greater authority and effective powers to local customs and enforcement authorities and provide <i>ex officio</i> authority for customs authorities to suspend import, export and trans-shipment of goods, including merchandise in free trade zones, which are suspected of being</p>	<p>We support including this element and suggest the negotiators consider the recommendation put forth in the memorandum.</p>

<b>Provisions delineated in <i>Summary of Key Elements under Discussion</i></b>	<b>BRG views previously submitted to ACTA negotiators</b>	<b>Additional comment and clarification</b>
	counterfeited or pirated. Significantly increase inspections of exports/imports to find shipments of counterfeit or pirated goods and refer such findings to appropriate authorities for investigation and prosecution.	
<ul style="list-style-type: none"> <li>- procedures for competent authorities to determine whether the suspended goods infringe intellectual property rights;</li> </ul>	No prior BRG recommendation on this issue.	We recommend that ‘competent authorities’ be clarified to ensure that the suspended goods are accurately identified by the most appropriate party.
<ul style="list-style-type: none"> <li>- measures to ensure that infringing goods are not released into free circulation without the right holder’s permission, and possible exceptions;</li> <li>- the forfeiture and destruction of goods that have been determined to infringe intellectual property rights, and possible exceptions;</li> </ul>	Require authorities to take appropriate steps to ensure that all counterfeit goods are compulsorily destroyed, definitively removed from channels of commerce, or disposed of with the rights holders’ consent where there is no health or safety risk. The simple removal of the unlawfully affixed trademark should not be considered a sufficient course of action.	<p>While we support that the infringing goods should not be released into free circulation without the rights holder’s consent, we also recommend that the counterfeit goods should be destroyed.</p> <p>We support including this element and suggest the negotiators consider the recommendation put forth in the memorandum.</p>
<ul style="list-style-type: none"> <li>- responsibility for storage and destruction fees;</li> </ul>	Governments should also take appropriate steps to reduce or eliminate the burdens on trademark owners of suffering costs of storage and destruction of counterfeit goods....	We support including this element and suggest the negotiators consider the recommendation put forth in the memorandum.
<ul style="list-style-type: none"> <li>- capacity of competent authorities to require right holders to provide a reasonable security or equivalent</li> </ul>	Establish clear procedures for right holders to initiate suspension by customs authorities of import, export and trans-	We support including this element and suggest the negotiators consider the recommendation put forth in the

Provisions delineated in <i>Summary of Key Elements under Discussion</i>	BRG views previously submitted to ACTA negotiators	Additional comment and clarification
<p>assurance sufficient to protect the defendant and to prevent abuse, and</p>	<p>shipment of suspected IPR infringing goods, including (a) all relevant and reasonably available evidence that is in its control, which is needed to establish a <i>prima facie</i> case for the party's claims or defenses; (b) <u>reasonable security or equivalent assurance sufficient to protect the defendant and the competent authorities to prevent abuse.</u> Bond requirements, however, should be eliminated as a condition to processing counterfeiting cases by customs. At the very least, the requirements should be established at a reasonable level so as not to deter the procedures.</p>	<p>memorandum.</p>
<p>- authority to disclose key information about infringing shipments to right holders.</p>	<p>In cases where relevant authorities have seized goods that are counterfeit or pirated, require authorities to inform the right holder of the names and addresses of the consignor, importer, exporter or consignee. Authorities should: (a) provide right holders access to relevant documents and information for use in conducting private investigations or filing complaints to the courts or other government agencies; (b) provide right holders with sufficient time to commence a proper action pursuant to a seizure/suspension of clearance by customs authorities by introducing</p>	<p>We support including this element and suggest the negotiators consider the recommendation put forth in the memorandum.</p>

<b>Provisions delineated in <i>Summary of Key Elements under Discussion</i></b>	<b>BRG views previously submitted to ACTA negotiators</b>	<b>Additional comment and clarification</b>
	provisions that require a time period of at least 20 business days or 31 calendar days from the date of suspension or seizure, whichever is longer, for right holders to commence such action.	

### Section 3: Criminal Enforcement

The following table compares provisions delineated in *Summary of Key Elements under Discussion* with recommendations set forth in the ACTA Business Response Group (BRG) memorandum to ACTA negotiators dated 08 October 2008.

<b>Provisions delineated in <i>Summary of Key Elements under Discussion</i></b>	<b>BRG views previously submitted to ACTA negotiators</b>	<b>Additional comment and clarification</b>
<ul style="list-style-type: none"> <li>- clarifying the scale of infringement necessary to qualify for criminal sanctions in cases of trademark counterfeiting and copyright and related rights piracy;</li> </ul>	Provide for criminal procedures and penalties to be applied to willful acts of counterfeiting and copyright piracy, which includes acts that cause substantial commercial harm. In addition, governments should treat importation or exportation of counterfeit or pirated goods as illegal activities subject to criminal penalties.	We support including this element and suggest the negotiators consider the recommendation put forth in the memorandum. We urge that ACTA negotiators strongly consider including importation or exportation of counterfeit or pirated goods as illegal activities subject to criminal penalties.
<ul style="list-style-type: none"> <li>- clarifying scope of criminal penalties;</li> </ul>	No prior recommendation on this issue.	We support the application of criminal enforcement to cases of trademark counterfeiting and copyright piracy.
<ul style="list-style-type: none"> <li>- in which cases the relevant authorities</li> </ul>	Ensure the ability of law enforcement	We support including this element and

Provisions delineated in <i>Summary of Key Elements under Discussion</i>	BRG views previously submitted to ACTA negotiators	Additional comment and clarification
<p>should be empowered to take action against infringers on their own initiative (<i>ex officio</i>, i.e. without complaint by right holders) with respect to infringing activities;</p> <ul style="list-style-type: none"> <li>- the authority to order searches and/or seizure of goods suspected of infringing intellectual property rights, materials and implements used in the infringement, documentary evidence, and assets derived from or obtained through the infringing activity;</li> <li>- the authority of judicial authorities to order forfeiture and/or destruction of materials and implements that have been used in the production of the infringing goods;</li> </ul>	<p>authorities to take action at their own initiative and provide relevant officials with the authority to seize all materials and implements used to manufacture or package counterfeit and pirate goods and any documentary evidence relevant to the offense and assets traceable to the infringing activity. Officials should also be given the authority to impose imprisonment as a sanction against failure to comply with a disclosure order.</p>	<p>suggest the negotiators consider the recommendation put forth in the memorandum.</p>
<ul style="list-style-type: none"> <li>- the authority of judicial authorities to order the forfeiture and destruction of the infringing goods;</li> </ul>	<p>Require that all counterfeit and pirate goods be destroyed, definitively removed from channels of commerce, or disposed of with the rights holders' consent where there is no health or safety risk. Bond requirements and the imposition of the costs of storage and destruction of goods on rights' holders should be eliminated.</p>	<p>We support including this element and suggest the negotiators consider the recommendation put forth in the memorandum.</p>
<ul style="list-style-type: none"> <li>- the authority of judicial authorities to order the forfeiture of the assets derived</li> </ul>	<p>Criminalize the laundering of proceeds from counterfeiting and piracy, to ensure</p>	<p>We support including this element and suggest the negotiators consider the</p>

<b>Provisions delineated in <i>Summary of Key Elements under Discussion</i></b>	<b>BRG views previously submitted to ACTA negotiators</b>	<b>Additional comment and clarification</b>
<p>from or obtained, directly or indirectly, through the infringing activity;</p>	<p>that counterfeiters and pirates are not profiting from their crimes and strengthen confiscation regimes that provide for the identification, freezing, seizure and confiscation of funds and property acquired through counterfeiting and piracy.</p>	<p>recommendation put forth in the memorandum.</p>
<ul style="list-style-type: none"> <li>- criminal procedures and penalties in cases of camcording motion pictures or other audiovisual works; and</li> </ul>	<p>No prior recommendation on this issue.</p>	<p>Under a broad agreement like ACTA, it will not be sufficient to list a type(s) of method of infringement since an all inclusive list is not possible given the creative abilities of counterfeiters and pirates.</p>
<ul style="list-style-type: none"> <li>- criminal procedures and penalties in cases of trafficking of counterfeit labels.</li> </ul>	<p>No prior recommendation on this issue.</p>	<p>There is no current recommendation on this issue, however, we welcome criminal procedures and penalties for trafficking of counterfeit labels.</p>
<p>Not addressed in the Summary</p>	<p>Encourage judicial authorities to impose penalties at levels sufficient to deter future infringements, including imposing imprisonment and fines for willful counterfeiting and piracy actions. Governments should be encouraged to develop calculation methods that lead to fines against counterfeiters and pirates commensurate to the harms caused in order to increase the deterrent impact of fines, and impose sanctions, such as</p>	<p>This issue has not been addressed in the Summary. We strongly urge ACTA negotiators to consider this recommendation.</p>

<b>Provisions delineated in <i>Summary of Key Elements under Discussion</i></b>	<b>BRG views previously submitted to ACTA negotiators</b>	<b>Additional comment and clarification</b>
	contempt of court, for failure to pay such fines.	
Not addressed in the Summary	Take measures to disrupt the sale of counterfeit and pirated goods on leased premises by establishing a legal framework under which landlords would be held liable for failure to terminate existing leases and preventing or otherwise controlling future IP violators on their premises.	This issue has not been addressed in the Summary. We strongly urge ACTA negotiators to consider this recommendation.
Not addressed in the Summary	Provide prompt and reasonable access by rights holders to relevant documents and information on counterfeiters and pirates held by government agencies for the rights holders' use in conducting private investigations, filing of complaints or pursuing proceedings in the courts or with other government agencies	This issue has not been addressed in the Summary. We strongly urge ACTA negotiators to consider this recommendation.
Not addressed in the Summary	Create specialized intellectual property crimes investigation and prosecution units in law enforcement and prosecution structures, respectively, and allocate resources towards training judges and other relevant enforcement authorities.	This issue has not been addressed in the Summary. We strongly urge ACTA negotiators to consider this recommendation.
Not addressed in the Summary	Establish a system for exchange of information between relevant enforcement officials in the signatory countries on	This issue has not been addressed in the Summary. We strongly urge ACTA negotiators to consider this

<b>Provisions delineated in <i>Summary of Key Elements under Discussion</i></b>	<b>BRG views previously submitted to ACTA negotiators</b>	<b>Additional comment and clarification</b>
	subjects such as criminal counterfeiters and pirates and best practices in investigating and prosecuting them.	recommendation.

#### **Section 4: Intellectual Property Rights Enforcement in the Digital Environment**

We understand that a draft proposal has not been tabled yet. We would therefore like to reiterate our recommendations and have pasted them below for your ease of reference. We look forward to receiving more news and information soon. The below recommendations were submitted with our memo sent on 12 December 2008 entitled “Business Perspectives on International Cooperation, Enforcement Education and Internet-related Issues.”

##### **Recommendations for Internet-Related Issues**

- An effective ACTA should address the growing problem of sale of counterfeit items and pirated copyright material through the Internet, which underscores the need for government and industry cooperation across borders. Relevant provisions in ACTA should encourage creative and innovative solutions and cooperation among the many actors including government and industry to explore market-driven, voluntary measures to remove counterfeit and pirated materials and/or deter the sale of counterfeits and pirated material on the Internet.
- Governments should work to ensure that data protection policy does not impede the legitimate protection of intellectual property rights. This should be achieved through a balanced approach that protects the rights of content providers and the interests of individuals and other stakeholders in the digital-networked environment.
- Governments should implement appropriate legal frameworks so as not to discourage the development of effective technological protection measures to address large-scale counterfeiting and piracy over the Internet. Furthermore, governments should provide effective legal remedies to deter circumvention of anti-counterfeiting/anti-piracy technological solutions.

### CHAPTER THREE

#### INTERNATIONAL COOPERATION

The following table compares provisions delineated in *Summary of Key Elements under Discussion* with recommendations set forth in the ACTA Business Response Group (BRG) memorandum to ACTA negotiators dated 12 December 2008 entitled “Business Perspectives on International Cooperation, Enforcement Education and Internet-related Issues.”

Provisions delineated in <i>Summary of Key Elements under Discussion</i>	BRG views previously submitted to ACTA negotiators	Additional comment and clarification
<ul style="list-style-type: none"> <li>- recognition that international enforcement cooperation is vital to realize fully effective protection of intellectual property rights;</li> </ul>	No specific recommendation in prior memos	International enforcement cooperation is critical to combating counterfeiting and piracy at the global level. While there is no specific recommendation to recognize the importance of international cooperation in previous BRG memos, we strongly support this element in ACTA.
<ul style="list-style-type: none"> <li>- cooperation among the competent authorities of the Parties concerned with enforcement of intellectual property rights, consistent with existing international agreements;</li> </ul>	No specific recommendation in prior memos	We support this approach and element in ACTA.
<ul style="list-style-type: none"> <li>- sharing of relevant information such as statistical data and information on best practices among the Signatories in accordance with international rules and related domestic laws to protect privacy and confidential information; and</li> </ul>	Facilitate and create concrete incentives for cooperative enforcement actions among countries through renewed and strengthened existing systems of sharing information and exchange of best practices;	We support this approach and element in ACTA.

<b>Provisions delineated in <i>Summary of Key Elements under Discussion</i></b>	<b>BRG views previously submitted to ACTA negotiators</b>	<b>Additional comment and clarification</b>
<ul style="list-style-type: none"> <li>- capacity building and technical assistance in improving enforcement, including for developing country parties to the agreement and for third countries where appropriate.</li> </ul>	<p>Recommendations on capacity building and training programs are covered under the section “Recommendations for Education on Enforcement.” See below:</p> <ul style="list-style-type: none"> <li>- Foster specialized skills, training, capacity building programs and expertise in handling of IPR cases by law enforcement officials and courts. Creating specialized IP units within enforcement agencies, for example, will vastly improve the handling of counterfeiting and piracy cases;</li> </ul>	<p>We support the issue outlined and further recommend that the creation of specialized IP units within enforcement agencies be considered for inclusion.</p>
<p>Not addressed</p>	<ul style="list-style-type: none"> <li>- Establish mechanisms for international cooperation that will be available to both ACTA signatories and non-signatories;</li> </ul>	<p>This issue has not been addressed in the Summary. We strongly urge ACTA negotiators to consider this recommendation.</p>
<p>Not addressed</p>	<ul style="list-style-type: none"> <li>- Establish national coordination mechanisms, such as designating a chief intellectual property enforcement officer with high-level authority to raise the profile of the issue, oversee coordination of relevant government officials and agencies, and allocate necessary financial and personnel resources;</li> </ul>	<p>This issue has not been addressed in the Summary. We strongly urge ACTA negotiators to consider this recommendation.</p>

<b>Provisions delineated in <i>Summary of Key Elements under Discussion</i></b>	<b>BRG views previously submitted to ACTA negotiators</b>	<b>Additional comment and clarification</b>
Not addressed	<ul style="list-style-type: none"> <li>- Assist non-signatory countries to develop assessments of the economic and social benefits of participating in the ACTA process.</li> </ul>	This issue has not been addressed in the Summary. We strongly urge ACTA negotiators to consider this recommendation.

## CHAPTER FOUR

### ENFORCEMENT PRACTICES

The following table compares provisions delineated in *Summary of Key Elements under Discussion* with recommendations set forth in the ACTA Business Response Group (BRG) memorandum to ACTA negotiators dated 12 December 2008 entitled “Business Perspectives on International Cooperation, Enforcement Education and Internet-related Issues.”

<b>Provisions delineated in <i>Summary of Key Elements under Discussion</i></b>	<b>BRG views previously submitted to ACTA negotiators</b>	<b>Additional comment and clarification</b>
<ul style="list-style-type: none"> <li>- fostering of expertise among competent authorities in order to ensure effective enforcement of intellectual property rights;</li> </ul>	Foster specialized skills, training, capacity building programs and expertise in handling of IPR cases by law enforcement officials and courts. Creating specialized IP units within enforcement agencies, for example, will vastly improve the handling of counterfeiting and piracy cases;	We support including this element and suggest the negotiators consider the recommendation put forth in the memorandum.
<ul style="list-style-type: none"> <li>- collection and analysis of statistical data and other relevant information such as best practices concerning infringement of intellectual property rights;</li> </ul>	No prior recommendations on these issues.	We support this approach and elements in ACTA.

<b>Provisions delineated in <i>Summary of Key Elements under Discussion</i></b>	<b>BRG views previously submitted to ACTA negotiators</b>	<b>Additional comment and clarification</b>
<ul style="list-style-type: none"> <li>- internal coordination among competent authorities concerned with enforcement of intellectual property rights, including formal or informal public/private advisory groups;</li> <li>- measures to allow customs authorities to better identify and target shipments, which are suspected to contain counterfeit or pirated goods;</li> <li>- publication of information on procedures regarding the enforcement of intellectual property rights, and</li> </ul>		
<ul style="list-style-type: none"> <li>- promotion of public awareness of the detrimental effects of intellectual property rights infringement.</li> </ul>	<p>Establish internal government and external public education programs to enhance the understanding of the harms associated with counterfeiting and piracy, particularly the immediate and extenuating dangers and risks of producing, distributing, marketing, purchasing and consuming counterfeit and pirated products. Governments are encouraged to work with industry as well as with other governments on a coordinated approach, which would send a strong message to consumers, counterfeiters and pirates that they are serious about fighting counterfeiting and piracy.</p>	<p>We support including this element and suggest the negotiators consider the recommendation put forth in the BRG memorandum.</p>

On behalf of:



*United Kingdom*



*European Union*



*Russia*



*France*



*European Union*



*USA*



*European Union*



*Mexico*



*Ukraine*



*France*



*Austria*



## Role of Free Trade Zones and Free Ports in the Transshipment and Transit of Counterfeit Goods

November 8, 2006

### *REQUEST FOR ACTION BY THE INTA BOARD OF DIRECTORS*

**ACTION REQUEST:** The Anti-Counterfeiting & Enforcement Committee (ACEC) requests that the Board of Directors approve a resolution setting out INTA's position regarding the role of free trade zones and free ports in the transshipment and transit of counterfeit goods.

### **ADOPTED RESOLUTION:**

**WHEREAS**, it is in the interest of countries to have the strongest enforcement mechanisms possible to protect consumers, the investment climate and labor markets, promote economic growth, and reduce the loss of tax revenues that are directly affected by the lack of efficient enforcement mechanisms and protections against trademark counterfeiting;

**WHEREAS**, unrestricted regimes for transshipment and transit of goods through free trade zones and free ports significantly contribute to the trafficking of counterfeit goods around the world;

**WHEREAS**, it is in the interest of consumers to stand apprised of and be able to avoid counterfeit goods, some of which pose great dangers to their health and safety;

**WHEREAS**, trademark owners support the establishment of a legal framework to enable public authorities, especially customs authorities, to apply border measures that allow effective actions in relation to counterfeit goods that undergo transshipment or transit through free trade zones and free ports.

**BE IT RESOLVED**, that the International Trademark Association urges governmental authorities to take the necessary actions to apply the following measures to halt the transshipment and transit of counterfeit goods in free trade zones and free ports:

1. Prohibit the admission to, processing in, and export from the free trade zones of counterfeit goods, irrespective of country of origin of such goods, country from which such goods arrived, or country of destination of such goods.
2. Empower customs authorities to exercise jurisdiction before the entry and after the exit of goods into a free trade zone, and to inspect goods in a free trade zone or a free port to ensure that no offence as to trafficking in counterfeit goods is being committed.
3. Ensure close cooperation between national customs authorities and the special authorities of their free trade zones or free ports in order to provide the efficient enforcement of anti-counterfeiting criminal and civil laws to check the offences of trafficking in counterfeit goods.
4. Ensure the applicability and enforcement of anti-counterfeiting criminal and civil laws to check the activities of trafficking in counterfeit goods in free trade zones and free ports that currently allow free movement of goods of any nature without regard to origin,

quality, purpose, and destination of goods; and without or minimal customs treatment of such goods in transit or transshipment.

## **BACKGROUND:**

A free trade zone ("FTZ") is a specified area within the territorial jurisdiction of a country where there is either a minimum or no customs control on entry or exit of goods. A free port ("FP") is characterized by its whole harbor plants (sheet of water, quays, wharves, warehouses, factories, etc.) that are considered by law outside the customs boundaries. FTZ's and FP's are not subject to such standard government restrictions on trade such as Customs treatment, banking laws, taxation, labour laws and economical laws and transactions. The relation between the free transit of goods within FTZ's and FP's and the corresponding increase of counterfeiting activities in these areas has become one of the most important issues relating to the protection of trademark rights.

Goods passing through FTZ's or FP's and transshipped through multiple ports, creates opportunities for counterfeiters to disguise the true country of origin of goods. Counterfeiters also take advantage of customs territories where border enforcement for transshipped or in transit goods is known to be weak, with the intention of passing the goods through those customs territories to their destination.

Counterfeiters use FTZ's and FP's to carry out at least three different types of illegal operations:

1. "Merchants" import shipments of counterfeit goods into the warehouses in the FTZs and then re-export counterfeit goods to other destinations. Therefore, FTZ's are not only used to 'sanitize' shipments and documents, thereby disguising their original point of manufacture or departure, but also become "distribution points" in the supply chain for counterfeit goods.
2. Counterfeiters import unfinished goods and then "further manufacture" them in the FTZ's by adding counterfeit trademarks, or repackaging or re-labeling the goods, and then export those "finished" counterfeit goods to other countries.
3. Counterfeiters often completely manufacture counterfeit goods in FTZ.

The Anti-Counterfeiting & Enforcement Committee believes that the unrestricted regimes for transshipment and transit of goods through FTZ's and FP's significantly contribute to the development and extension of the scale of trafficking of counterfeit goods around the world. Accordingly, the ACEC recommends this resolution to the INTA board for the following reasons: (1) A fully uncontrolled transshipment of goods does not sufficiently protect trademark rights; (2) there is a need for a legal framework for establishing the responsibility of public authorities, especially customs authorities, to apply border measures for the purpose of undertaking effective actions in relation to goods that undergo transshipment or transit and are suspected of being counterfeits; and (3) there is also a need to alter the approach of customs authorities, which often tend to treat goods in transit with lesser scrutiny than goods imported or exported out of the respective country.