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March 1, 2017

Wilbur Ross
Secretary
United States Department of Commerce
1401 Constitution Avenue N.W.
Washington, D.C. 20230

Dear Secretary Ross:

Re: Priorities for U.S. Trademark Policy in 2017

Congratulations on your confirmation as Secretary of Commerce for the United States. The International Trademark Association (INTA) looks forward to working with you and your team to support and further the Administration's mission to create and advance conditions for economic growth and opportunity. INTA is committed to supporting these economic business objectives as we seek to maintain a strong intellectual property framework in order to protect consumers and promote fair and effective commerce. To that end, we would like to offer our views on a number of critical trademark and related intellectual property issues. We thank you in advance for your time and attention.

Background

The International Trademark Association (INTA) is a global association of brand owners and professionals dedicated to supporting trademarks and related intellectual property in order to protect consumers and to promote fair and effective commerce.

INTA was started in the United States in 1878 by 12 U.S. companies in support of the new U.S. trademark law (at the time, known as the United States Trademark Association). Today, as a global organization, INTA's members include more than 7,000 organizations from 190 countries of which the largest segment is based in the U.S. INTA members collectively contribute almost \$12 trillion to the global GDP annually. The Association's member organizations represent over 30,000 trademark professionals and include brand owners from major corporations as well as small and medium-sized enterprises, law firms and nonprofits. INTA's members come from all business sectors and are united in their support for the global economy and the need to protect consumers from counterfeit goods.

In preparing for working with the new administration and Congress in 2017, INTA is focusing on various aspects of U.S. policy described below which we believe will continue to strengthen the position of the United States as a world leader in intellectual property in general, and trademark law and practice in particular.

Maintaining Statutory Integrity for Trademark and Consumer Protection

The Lanham Act is the federal statute governing trademark law in the United States. INTA seeks to maintain and support the Lanham Act, which for the past 70 years has established the framework for

the registration and regulation of trademarks in the United States. INTA also seeks to preserve the Lanham Act as the fundamental statute for trademarks, thereby protecting consumers and businesses alike. INTA has played a major role in ensuring that the U.S. trademark law and related laws dealing with enforcement keep up with the challenges of the global economy and new technologies.

INTA enjoys close working relations with the U.S. Congress. Key milestones include INTA's leadership in the 1988 revision of the Lanham Act to ensure the U.S. was competitive internationally through the modernization of its laws. Complementing the revision was INTA's role in the accession of the United States to important treaties such as the Madrid Protocol which facilitates the international registration of trademarks, and the Trademark Law and Singapore Treaties seeking to harmonize trademark office practice globally. In 2006 INTA was instrumental in the adoption of the Trademark Dilution Revision Act, which sets out clear criteria for the protection of famous marks in compliance with the World Trade Organization's Trade-related Aspects of Intellectual Property Rights (TRIPS).

INTA also strongly supported the establishment of the bi-partisan Congressional Trademark Caucus (CTC) which develops briefings and educational events for Members of Congress and their staff about trademarks and related intellectual property. On behalf of INTA, I was privileged to present to the CTC at its first briefing on Capital Hill in October 2015. This summer, the U.S. Senate co-chairs of the CTC drafted and then passed Senate Resolution (S.Res. 542) designating July 2016 as National Anti-Counterfeiting Consumer Education and Awareness Month and recognizing the 70th anniversary of the Lanham Act. INTA plans to continue support the expansion and increased activity of the CTC in the next session of Congress.

While there are currently no major proposals expected to amend the Lanham Act, there are several developments which might call for such legislation. One is the U.S. Supreme Court's consideration of the constitutionality of the Act's Section 2(a) regarding the refusal of the Trademark Office to register trademarks which "may disparage ... persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute." The Court's ruling is not expected until mid-2017.

Another possible legislative initiative is improving protection for well-known marks. There currently is no U.S. statutory provision for protection of well-known marks. Rather, such protection rests on judicial decisions, which have led to a split among various Circuit Courts of Appeal. If the U.S. Supreme Court decides to accept a current case dealing with the issue, there may be need for legislation.

Support and Funding for the United States Patent and Trademark Office (USPTO)

INTA serves as the largest IP stakeholder organization in the world focused on trademarks. INTA strongly supports the work of the USPTO throughout the trademark examination process including the work of the Trademark Trial and Appeal Board (TTAB). INTA regularly engages in dialogues with the USPTO about trademarks and actively comments on all USPTO policy programs and rulemaking including proposals for changes to the examination process, pilot programs, additional electronic processing initiatives and adjustments to fees. INTA supports the crucial work of the USPTO throughout the trademark examination process and its direct effects on the economy.

The USPTO is a model for self-funding government agencies, funding 100% of its budget through users' fees paid by patent and trademark applicants and registrants. Nonetheless, the USPTO is part of the president's request as prepared by the Office of Management and Budget and subject to the congressional appropriations process. INTA strongly supports that the USPTO's funding request is fully approved and that no user fee money is allocated to government activities not directly related to the agency's mission and operations. Key funding in the next fiscal year includes the upgrading of the USPTO's crucial information technology (IT) to bolster the examination process.

Regarding the USPTO's operations, INTA is concerned about the Department of Commerce's (DOC) initiative to centralize certain administrative services by creating a "Shared Services" environment among the unrelated agencies within the DOC. Many of the proposed services under consideration for the shared services initiative have been structured to support the very specific and unique requirements of the USPTO in order to best serve its users, who are the agency's source of funding. This is particularly true in the areas of IT and human resources, where maintaining state-of-the-art technology and a highly skilled workforce are critical components necessary to meet the specific needs of the intellectual property community. It is difficult to conceptualize how centralizing the management and/or provision of these services at the department level could continue to meet these challenging and unique goals. This is especially true at a time when the USPTO is in the midst of modernizing its IT systems to improve the quality of services delivered to patent and trademark applicants and to the public.

The ongoing success of the USPTO and its ability to serve the intellectual property community is critically important to INTA and its members. The decision as to whether or not to move forward with the shared services initiative must take USPTO specific needs and requirements into consideration. We urge that further study is undertaken in this area and that stakeholders be involved in this important decision.

Support for U.S. Anti-Counterfeiting and Enforcement Efforts

Counterfeit products present direct health and safety risks to citizens of all ages. Dangerous counterfeits span all industries and all types of goods including electronics, medicines, food and toys, which often result in serious health and safety issues for consumers. INTA seeks to strengthen anti-counterfeiting laws to increase intellectual property enforcement, protect consumers and prevent counterfeit items in all streams of commerce including online platforms. According to data from the National Intellectual Property Rights Coordination Center, in 2015 the number of seizures made nationally due to intellectual property rights (IPR) violations increased 25 percent from the previous year, totaling more than 28,000 seizures with an estimated value of more than \$1.3 billion.

INTA, in collaboration with the intellectual property stakeholder community, is focused on:

- supporting the United States government's efforts to coordinate the nation's IP enforcement efforts including prosecuting individuals and businesses who are selling counterfeit products;
- supporting initiatives to increase consumer education and outreach about the direct dangers posed by counterfeit products;

- supporting the work and programs run by the key IP enforcement government offices including the Intellectual Property Enforcement Coordinator (IPEC) and the National Intellectual Property Rights Coordination Center (IPR Center); and
- providing opportunities for training and education to all stakeholders about the direct harms caused by counterfeit products.

Crucial to the U.S. government's effort to stop counterfeiting and IP infringement, INTA encourages increased support for the Office of the Intellectual Property Enforcement Coordinator (IPEC). IPEC's goal from within the Executive Office of the President is to coordinate the development and implementing of U.S. IP Enforcement. Given the sharp increase in counterfeits and other intellectual property infringement, a strong IPEC is absolutely vital to U.S. competitiveness and to protecting consumers.

Parallel Imports/Consumer Protection

Another agency crucial to the fight against a counterfeits and the integrity of distribution channels is U.S. Customs and Border Protection (CBP). INTA has actively supported increased enforcement activity conducted by CBP in concert with the National Intellectual Property Rights Coordination Center. Recent customs legislation enacted by Congress has heightened the importance of and provided the tools for interdicting counterfeit products before they enter U.S. commerce. INTA provides continuing input on implementation of that statute through direct interaction with CBP and through the Commercial Operations Advisory Committee (COAC). The association is also awaiting the implementing regulations required by the "Defend Trade Secrets Act of 2016."

One issue INTA has been discussing with CBP and the U.S. Treasury is to improve protection for consumers with regard to parallel imports. Parallel imports, also known as gray market goods, are branded goods that have been purchased through legal channels outside the U.S. and imported for sale in the U.S. without authorization from the U.S. trademark owner. Parallel imports are different from counterfeit goods because they have been produced by, for, or under license from the trademark owner. However, they may have been produced, formulated, and/ or packaged differently for sale in markets outside the U.S. and may not be suitable for sale domestically.

The parallel import regime of the United States takes a hybrid approach to regulating such goods. *Lever Bros. v. United States*, 981 F.2d 1330(D.C.Cir.1993) acknowledged that parallel imports were generally legal, but determined that goods that are materially different from those intended for sale in the U.S. were not. The Treasury Department and then-U.S. Customs fashioned a regulation known as the "Lever Rule." The regulation permits use of a label – i.e., a disclaimer -- attached to the product which theoretically would advise consumers that material and physical differences exist in these imported goods from those produced and designed for sale in the United States (see 19 C.F.R. § 133.23(b)). A recent appellate court case, consistent with *Lever Bros.*, found that affixing a label would not likely protect consumers adequately, and that it would further confuse consumers and cause them to lose goodwill toward the U.S. brand owner (see *Abbott Laboratories v. Adelpia Supply USA*, 115 CV 5826 (E.E.N.Y.Nov.6,2015, *aff'd* 2d Cir.2016).

INTA agrees with this appellate court's decision and believes that application of the Lever Rule results in confusion and even harm to consumers, which is contrary to the Lanham Act. To provide evidence of this confusion, INTA commissioned a survey, undertaken by a well-respected international

Secretary Ross
March 1, 2017
Page 5

economics consulting firm which demonstrates that the disclaimer language option is ineffective and fails to assist the consumer in making an informed decision. Over 70 percent of respondents failed to even notice the presence of a label. Accordingly, INTA urges that the Lever Rule regulation be modified to eliminate a disclaimer label remedy, which currently allows materially and physically different goods to enter the U.S.

Internet Governance and Internet Corporation for Assigned Names and Numbers(ICANN)

INTA actively participates in all public engagement regarding Internet Governance and ICANN, participating in the multi-stakeholder model and the development of policies that govern the domain name system. INTA is carefully monitoring the implementation of the accountability mechanisms that were conditioned on the transition of the Internet Assigned Numbers Authority (IANA) technical functions from the National Telecommunications and Information Administration (NTIA) of DOC to ICANN.

INTA has taken leadership positions on policy reviews and implementation teams. The key issues for brand owners are the preservation of protections for trademark rights holders within the domain system, the rules under which any new domain extensions will be granted, and ICANN's enforcement of its contractual obligations. INTA advocates for policies that conform to well-established trademark laws and good business practice.

In evaluating ICANN's potentially massive expansion of domain names, INTA is conducting a study to determine the impact of new domain extensions on trademark owners. INTA also is formulating an IANA "scorecard" to ensure that post-transition ICANN lives up to its commitments in terms of transparency, consistency and reliability of ICANN's operations, policies and procedures.

INTA looks forward to working with the new Administration on increasing enforcement efforts worldwide and promoting the crucial role that intellectual property plays in the growth and stability of the global economy. We would happy to answer any questions you may have on these issues. Should you or your staff require further information, please contact Deborah Cohn in our Washington D.C. office at DCohn@inta.org or 202-261-6570.

Sincerely,



Joseph J. Ferretti
President
International Trademark Association