

**INTA SUBMISSION ON THE REQUEST FOR PUBLIC COMMENT REGARDING
THE FOURTH JOINT STRATEGIC PLAN FOR INTELLECTUAL PROPERTY ENFORCEMENT**

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

November 13, 2018

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 fourth Joint Strategic Plan, covering the three year period from 2019 through 2021.

INTA is a membership association of more than 7,200 trademark owners and professionals from more than 191 countries. INTA members collectively contribute almost US \$12 trillion to global GDP annually. The Association's member organizations represent some 31,000 trademark professionals and include brand owners from major corporations as well as small- and medium-sized enterprises, law firms and nonprofits. INTA undertakes advocacy work throughout the world to advance trademarks and offers educational programs and informational and legal resources of global interest. The organization is dedicated to the support and advancement of trademarks and related intellectual property (IP) in order to protect consumers and to promote fair and effective commerce.

As an important part of its mission, INTA is dedicated to improving trademark enforcement and anticounterfeiting efforts worldwide. The Association supports the IPEC office and congratulates the U.S. enforcement agencies and IPEC for leading the fight against counterfeits and other IP infringements. However, the problem is growing and more could be done. In 2009, the value of counterfeited and pirated goods moving through international trade alone equaled \$250 billion annually. Today, just six years later, the value of global trade in counterfeit and pirated goods in 2015 is \$1 trillion and costs over 2.5 million jobs per year. Total counterfeits detained at the U.S. borders have been valued at over \$1.2 billion in 2014. In February 2017, INTA along with ICC-BASCAP released a new report from Frontier Economics entitled "The Economic Impacts of Counterfeiting and Piracy", which seeks to quantify the global value of counterfeiting and piracy and related economic and social costs. The study found that in 2013, the estimated value of international and domestic trade in counterfeit and pirated goods was a staggering \$710-917 billion. The wider economic and social costs was calculated at \$717-898 billion- this includes fiscal losses, costs of crime, and displacement of legitimate economic activity. In 2022, the total estimated value of counterfeit and pirated goods including digital piracy is projected to reach an astounding \$1.90 -\$2.81 trillion. The number of jobs lost due to counterfeiting and piracy is expected to reach upwards of 5.4 million jobs in 2022. Billions more counterfeits are moving through our borders undetected. The sale of counterfeits and other trademark infringements on the Internet have exacerbated the problem. This issue spans all industries and all types of goods including electronics, medicines, food, and toys, which can be the cause of serious health and safety issues to consumers. INTA believes that the private sector must work closely with the public sector to make sure that trademark law is properly enforced to ensure that consumers are protected.

INTA is fortunate to have already engaged with the IPEC office to assist in the effort in the battle against counterfeiting and the struggle to improve trademark enforcement. INTA applauds IPEC's actions to increase cooperation between agencies within the U.S. and among enforcement bodies in countries outside of the U.S. borders. INTA supports IPEC's efforts and offers its membership to collaborate with the private sector to achieve its goals. The Association believes that the development of this new Joint Strategic Plan is a major step in this process and thanks the IPEC office for its considerations of these recommendations.

STRATEGIC RECOMMENDATIONS

IPEC should continue to work towards the original objectives of the Joint Strategic Plan as well as recognize new challenges and trends in counterfeiting, enforcement on the Internet, and parallel imports. We provide our comments on the Joint Strategic Plan based on those trends.

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 (CBP), recent annual statistics of seizures demonstrate a significant improvement. However, reference to seizures alone does not adequately measure the sufficiency of steps that need to be taken to eliminate this continuing threat to the U.S. economy and public health and safety.

INTA recognizes CBP's current efforts to work on a process and method to distinguish between high and low risk shipments, which would help to make CBP's intellectual property rights (IPR) targeting system more efficient and effective. INTA encourages continued work on this process. On January 30, 2018, the Government Accountability Office released a report with two recommends to customs operations that the CBP has agreed with: (1) evaluate its efforts to enhance IPR enforcement and (2) Assess potential additional information sharing with the private sector. INTA applauds these recommendations and would support any efforts to implement them. Furthermore, INTA recommends the following:

- 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. Currently, the Interim Rules allow for unredacted samples to be shared with the rights holder after a period of seven days within which the importer is given the opportunity to identify whether the goods are fake or real. INTA believes that the rights holder is best equipped to confirm whether the goods are authentic. If the objective of the procedure is to determine the authenticity of the goods as quickly as possible, then the seven-day waiting period is not appropriate to accomplish the objective.
- Make improvements to the recordation system so that trademarks can be seamlessly registered at the U.S. Patent and Trademark Office (USPTO) and immediately recorded at CBP. This would also help to increase the number of rights holder recordations with Customs.

- Provide adequate resources for CBP field operations with personnel dedicated to IPR enforcement to develop expertise, provide a focal point for training and ensure the sufficiency of those assigned to interdict counterfeit goods.
- Expand CBP's administrative authority to detain and seize clearly infringing, though unrecorded merchandise.
- Publicize among brand owners the availability of the continuous bond. Improve the accessibility of the continuous bond requirement and review and revise the hold harmless agreement for the continuous bond. INTA would be pleased to assist with publicizing this to its membership.
- Allow a mechanism for providing CBP with a list of known sources of pirated goods. This list could include convicted persons and entities. Also, give the public access to information provided to CBP of known sources of counterfeit goods. Customs could add this information to its database and enhance the effectiveness of its targeting.
- Create a new electronic recordal system. This system should allow trademark owners to update information to identify genuine products provided to customs officials in real time. The system should also provide seizure notifications to trademark owners electronically and allow for customs officials to share photos of the seized goods and a mechanism for trademark owners to communicate directly with the customs officials.
- Provide information to trademark owners about any suspected counterfeit goods that have been detained or abandoned. Trademark owners request that the following information be provided to them in any instance a good is suspected as counterfeit: (1) trademark which is infringed; (2) date of import and export; (3) place of entry; (4) description of merchandise; (5) quantity of merchandise; (6) country of origin; (7) name, address, telephone number, and email address of the manufacturer, exporter, owner, consignee, and/or the importer; (8) information as to whether shipment contains other infringing goods; (9) digital images of merchandise, including labels and tags; and (10) digital images of box and any printed information.
- Harmonize practices from port to port. INTA members have found that different ports have different timelines in communicating with trademark owners and providing samples of counterfeits. A streamlined process from port to port would be more efficient.
- Develop a system to deal with small packages. Seizures of small consignments have risen in the last few years as a result of increased Internet sales of counterfeits. In the U.S. last year, 89 percent of all IPR seizures take place in the international mail and express environments. The proliferation of e-commerce has allowed counterfeiters to ship goods directly to the consumer in small packages around the world. Not only is the rise in numbers of small quantities of counterfeit goods burdensome on customs officials, but the trend also poses immense practical and budgetary challenges on rights holders. So with the rise of online

counterfeiting, there is direct correlation to the growth of these small packages seized at the borders.

- Explore new technologies to keep counterfeits out of the U.S. INTA encourages the exploration of more technological advances to combat counterfeits and promotion these systems in other jurisdictions. Korea and Hong Kong Customs utilize artificial intelligence to detect counterfeit shipments. The Ministry of Public Security of the People's Republic of China earlier this year has also started a pilot project on big data. The U.S. government should be aware of these programs, identify best practices, and encourage investment in these tools.

2) Strengthen anticounterfeiting enforcement and legislation at the state level.

Training for state and local law enforcement is an important component in rooting out counterfeiters and fake merchandise. The Department of Justice (DOJ) and other enforcement agencies have thus far provided valuable training opportunities throughout the country in which INTA has participated. Recent trends and challenges in anticounterfeiting, such as the prevalence of online websites selling counterfeits, and education on how to address these issues at the state level should be incorporated and updated in training materials. INTA also encourages the continuation of grants and resources allocated to these events so that every law enforcement official can be properly educated about counterfeiting and its adverse effects on the local, national and global economies.

Changes to relevant state laws to allow for measures to meaningfully disrupt the illegal business of vendors who sell counterfeit goods through leased premises should also be adopted by the states. These may include laws that do not specifically address trademarks or counterfeiting but 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 effective in New York City where 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. This principle is applicable to *areas* such as flea markets as well as *premises* like buildings. Although changes to state laws are not a federal matter, IPEC should encourage state legislators and law enforcement to adopt and implement these measures.

In addition, INTA is willing to work with state legislatures in adopting INTA's [Model State Anticounterfeiting law](#) which would provide additional tools for law enforcement in prosecuting those engaged in counterfeiting activities.

3) Increase public awareness about the harms of counterfeiting and educate consumers.

Consumer education on the adverse impact of counterfeiting on the economy and public health is crucial to curbing the demand for counterfeit goods. A strong government supported education program or campaign at national and state levels would make a meaningful impact on the attitude of both consumers who are consciously purchasing

fake products but without adequate knowledge of the risks, as well as those who do so unknowingly. Accordingly, INTA strongly supports the recent public awareness initiative launched by the National Crime Prevention Council and DOJ. INTA also has participated in the National Trademark Exposition hosted by the U.S. Patent and Trademark Office.

Involving industry or supporting industry efforts in the implementation of the education program is essential, particularly since trademark owners, who understandably may be cautious about having the spotlight shone on their counterfeit problems, can pool information and examples for these public education initiatives. Initiatives should also include approaches to educating consumers online and in areas where they are most exposed to counterfeiting sales¹.

Beyond exposing the dangers of counterfeiting, a strong national awareness program to educate the public about the value of intellectual property rights, its connection to people's everyday lives, economy and jobs, and why IP needs to be protected online and offline is needed now more than ever. The study released by the U.S. Department of Commerce and the Economic Statistics Administration entitled "Intellectual Property and the U.S. Economy: Industries in Focus," was an excellent and necessary step to building public awareness of the value of IP. INTA recommends that IPEC and other government agencies utilize the findings of the study by incorporating them into public awareness initiatives and linking them to the effects of IP infringement. More studies showing the harms of counterfeiting should be developed. INTA would be happy to support these efforts.

4) *Improve U.S. government enforcement efforts against parallel imports.*

"Parallel imports," sometimes also known as "gray market goods," are branded goods that have been purchased by a third party through legal channels outside the United States and imported for sale into the United States without authorization from the trademark owner ("PI Goods"). These goods bear the same trademarks as those of the U.S. trademark owner, which can mislead consumers to believe that the imported goods are of the same quality and specification as the goods produced for the U.S. market. However, in certain cases, PI Goods do not meet federal regulations (e.g., products containing ingredients not found in U.S. authorized products; lack of FDA drug facts; failure to comply with other agencies' regulatory requirements; inadequate labeling); or are specifically made for one particular market, so that their introduction into a different market may cause the product not to function at its ideal level (e.g., oil filters for vehicles), or may not be to the customer's taste (e.g., cinnamon-flavored toothpaste). Generally, such goods are not covered by the manufacturer's warranty or are covered by a lesser warranty provided by the U.S. importer or distributor, or are imported with the manufacturer's warranty without clarification that such warranty will not be honored in the U.S. In addition, such goods may not be compatible with other U.S. products or systems, may have such different specifications that U.S. technicians are unable to repair them, or may have instructions in a foreign language.

When PI Goods are different from those sold for the U.S. market, unknowing customers will be dissatisfied by the PI product, and such dissatisfaction is invariably directed at the

¹ INTA launched its public awareness initiative targeted at teens in May 2012 and to date that campaign has reached 120,000 students worldwide. . The Unreal Campaign aims to raise awareness of the harms of counterfeiting and value of trademarks through the campaign (www.ina.org/unrealcampaign).

trademark owners, who never intended that those goods be sold in the U.S. market. As a result, federal courts have recognized that importation of unauthorized, materially different, PI Goods into the U.S. infringes the U.S. trademark owner's rights and tarnishes its brand. INTA therefore believes that parallel imports should be included in the Joint Strategic Plan in order to improve U.S. government enforcement efforts against trademark infringement.

PI Goods touch upon almost all industries that sell goods to consumers. For the information technology industry alone, PI Goods are a multi-billion dollar annual problem. In 2007, PI Goods racked up \$58 billion in sales just in the U.S. technology market, and this cost technology companies \$10 billion in profits, according to a December 2008 survey by KPMG and the Alliance for Gray Market and Counterfeit Abatement.

INTA believes that IPEC could play an important role in this area, countering materially different PI Goods by encouraging better coordination among CBP, the Food and Drug Administration (FDA), the U.S. Postal Service, and other agencies with respect to materially different PI Goods; and supporting changes in the regulations that would make enforcement efforts more effective.

There are two areas where INTA proposes that IPEC should support changes in regulations.

First, INTA proposes that IPEC support alignment of CBP regulations to federal court decisions and eliminate the requirement that the differences be not only material, but also "physical," as this requirement of physical and material differences places an undue burden on the trademark owner, and in many cases will not alleviate consumer dissatisfaction.

Second, INTA proposes that IPEC support removal of the "disclaimer label remedy" under CBP's Lever Rule Regulation, 19 C.F.R. §§ 133.2 to 133.27, as this regulation results in consumer confusion as to the origin and quality of parallel imports. The Lever Rule Regulation's disclaimer label remedy has no basis in the case *Lever Bros. v. United States*, 981 F.2d 1330 (D.C. Cir. 1993); rather, it is a loophole for parallel imports to avoid the exclusion that would otherwise occur pursuant to the Lever-based regulations. The disclaimer label remedy permits unauthorized parallel import goods to enter the United States, even if they are materially different from genuine and authorized goods, when the goods bear a disclaimer stating: "This product is not a product authorized by the United States trademark owner for importation and is physically and materially different from the authorized product." 19 CFR § 133.23(b)." The disclaimer does not and cannot provide sufficient or useful information to buyers concerning the physical and material differences between the U.S. authorized goods and the parallel import; it does not and cannot address the health and safety concerns that physical and material differences can pose; and it does not and cannot overcome the harm experienced by buyers and by trademark owners once buyers have a negative experience with a parallel import product.

The effectiveness of the disclaimer remedy suffers from the fatal flaw that there is no reason to believe that the disclaimer located on the product as it transits through CBP will remain on the product by the time the product reaches a consumer. Even putting aside this inherent flaw in the system, when the label is visible to the final consumer it still fails to achieve its purpose. INTA recently sponsored a consumer survey conducted by NERA Economic Consulting, a well-respected, international economics consultancy, to test whether affixing a Lever Rule disclaimer label to parallel imports provides sufficient information for a consumer to make an informed decision on whether to purchase the Lever Rule-labeled product. The results of the survey show that:

- only 4% of survey respondents understand that the parallel imports bearing the Lever Rule label are of non-U.S. origin;
- 70% of the respondents did not even notice the label;
- when directed to the Lever Rule label, over 30% of respondents could not understand its meaning; and
- ultimately, a majority of survey respondents believed that the parallel imports were identical to a product manufactured for sale for the U.S. market or did not have enough information to determine if the parallel imports and U.S. product were the same or different.

In order to avoid causing harm to consumers as well as trademark owners, the disclaimer label remedy should be eliminated.

5) Support and improve individual IP Enforcement efforts by generally allowing pretext investigations

Pretext investigations are a vital source of information, fact finding and evidence collection for IP rights owners when preparing subsequent IP enforcement activities. This is the case especially in counterfeit situations but applies to all types of IP violations. Since IP infringers are often well organized and highly sophisticated, it can be extremely difficult for IP owners to build a case against these opponents in order to be able to take action in defense of the infringed rights. Pretext investigations are an important tool to enable IP owners to obtain information about the opponent and the circumstances of the infringing activity which would otherwise not be easily accessible. Most of the time, these investigations are carried out by charging a third-party investigator with the fact-gathering from the opponent under pretext – oftentimes, the investigator will pose as a customer or client and make a purchase or place an order. Any exchanges with and details about the infringer, information about the source of the infringing product, manufacturing or service standards, distribution and other involved parties will be recorded by the investigator and submitted to the IP owner for evidentiary purposes. It is INTA's position that pretext investigations are valuable and essential methods of securing evidence in the general context of IP enforcement and protection. They are generally considered acceptable in most jurisdictions worldwide as long as general rules and principles of law are observed. While U.S. courts have predominantly permitted pretext investigations within certain restrictions, there continues to be a discord between these rulings and the ABA Model

Rules and some state rules, which either do not address the topic or strongly restrict pretext investigations when carried out or supervised by an attorney. Recently, the state of Colorado adopted amendments to the rules of professional conduct to explicitly permit the use of pretext investigations. INTA supports these kinds of changes to state rules and advocates for like changes in other states. Ideally, pretext investigations should be considered an acceptable method of securing evidence for subsequent proceedings in defense of IP rights across state lines and by all Bar Associations. INTA strongly recommends that IPEC explore the options of creating guidelines and standards for the process of these investigations, which would make a nationwide acceptance and admissibility of this indispensable tool possible and thereby support individual IP enforcement activities.

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6) *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), ICE, FDA, DOJ, and CBP. The National IPR Coordination Center has been a good platform for such coordination, having achieved notable success in the last two years in promoting coordination and information sharing between the agencies and with affected rights holders. INTA encourages the IPR Center to increase its role in promoting more coordination and information sharing at the international, national and local level.

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

The different reporting processes across city and state jurisdictions presents a challenge for rights holders who often have to handle counterfeiting cases across multiple jurisdictions. Streamlining paperwork processes and simplifying and making consistent the steps, regardless of which agency the trademark owners utilize to combat counterfeiting activities, would save money and time on the part of both the trademark owner and the government.

8) 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. The comments herein also support Section 1(c). As stated there, the list of known counterfeiters could be published on the IPR Center's website.

9) Strengthen ongoing partnerships and bilateral working groups with enforcement bodies of other countries.

In order for the U.S. to form sustainable trade relations with other countries, it is important that a framework to protect intellectual property rights is established and maintained. Consequently, strong U.S. protection of IP can serve as a model to other countries. The Association is happy to see that the U.S. met with China in September to talk about ways to coordinate on IP enforcement matters. INTA would like to see these types of meetings with other countries as well and would be pleased to give any requested private sector insight needed for these meetings.

The ability for U.S. enforcement agencies to work with those of other countries is critical to addressing multi-jurisdictional counterfeiting cases. Currently, DOJ participates with Chinese counterparts in an enforcement task force under the China-U.S. Joint Liaison group on Law Enforcement. INTA fully supports such working groups and encourages the formation of others as appropriate. INTA also encourage partnerships and training opportunities with enforcement agencies in key African jurisdictions such as Kenya, Nigeria, South Africa, Ethiopia and Cote d'Ivoire.

Furthermore, the IPR Center has increased participation of enforcement agencies from other countries in the last few years (Mexican Revenue Service, Royal Canadian Mounted Police, Europol, and INTERPOL). INTA commends the increase in global coordination and encourages the inclusion of other countries' enforcement agencies as appropriate. INTA also supports the promotion of the U.S. National IPR Center Model in other jurisdictions, not only to coordinate efforts at the national level, but with other jurisdictions at an international level.

10) 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. 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 consumers including those living in the United States. This is particularly critical when those counterfeits pose risks to public health and safety.

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.

As noted above, INTA is pleased that the U.S. has recognized the urgent issue of transshipped and in transit goods. However, we note that other jurisdictions such as the European Union and Mexico have taken the position that goods in transit are not subject to current customs enforcement. In the case of Mexico, the Mexican Attorney General sent an official order to the Central Customs Office that customs officials should not seize goods in transit, thus allowing items that Mexican officials know are counterfeit to pass through their borders into other countries, including the United States. We foresee these developments having an impact on other countries' treatment of goods in transit, some of which are major trading partners for the U.S. Therefore, we highly encourage 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.

11) Support the Hague Convention

Brand owners are faced with increasing numbers of cross-border infringements, predominantly in online environments, where the fact that a successful judgment was obtained does not necessarily translate into the successful termination of infringing activity or recovery of costs or damage payments because the actors are located in remote jurisdictions. The Hague Convention aims to facilitate recognition and enforcement of such judgments in a unified, streamlined procedure without the necessity of filing separate suits in multiple jurisdictions or dealing with the at times challenging, complicated and cost intensive recognition procedures available in countries worldwide. Application of the principles and procedures set out in the Convention allows successful Plaintiffs to enforce judgments obtained in the State of registration or protection of the IP right in States where the infringer may be located or have assets and thereby to "follow the money" in a simple and effective way. It is INTA's position that this is a significant advantage for brand owners and will provide them with valuable tools in the fight against cross-border infringement situations. The Convention in its most recent amended form includes strong mechanisms to ensure safeguarding of the territoriality of IP rights and sovereignty of the States of registration or protection, thereby maintaining the integrity of national IP systems. INTA recommends that the US reconsider its position on including Trademarks and IP under the Hague Convention, as INTA sees a significant benefit specifically for US brand owners to protect their IP while engaging in their international trade relations.

12) Build cooperation to address the issue of the sale of counterfeit products on the Internet

The availability of counterfeits on the Internet through marketplace sites, search engines, independent websites and now, increasingly, social media sites is a significant concern for trademark owners and other Internet stakeholders. The Organization for Economic Cooperation and Development (OECD) noted in its 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. Online counterfeiting will soon surpass the volume

sold by street vendors and in other physical markets according to the 2013 Special 301 Report. Rogue websites selling pirated digital content and counterfeit goods generate more than 53 billion visits per year. On January 30, 2018, the Government Accountability Office released a report finding that just under half of the goods that they purchased from third party sites were counterfeit. This is further supported by trends shown in CBP seizure statistics indicating a shift towards using mail and consolidated shipping services to deliver counterfeit goods, which in turn is attributed to the growth of websites selling counterfeits.

INTA recognizes the efforts that U.S. enforcement agencies, legislators and other stakeholders have taken to address the issue. Unfortunately, these have had mixed results. Although addressing IP enforcement on the Internet is challenging, INTA encourages continued focus on addressing this important and evolving issue, as ongoing developments on the Internet will result in additional challenges in anticounterfeiting enforcement. This will necessitate further action and increased cooperation among stakeholders such as rights holders, consumers and government. In this regard, the IPEC office has a unique and important role to play in advocating for the protection of trademarks (and other intellectual property) on the Internet.

Recent efforts to address counterfeiting online have taken the “follow-the-money” approach, which goes after the proceeds of the counterfeiting activity. INTA believes that it is important for courts and government authorities to recognize the importance of stemming the flow of funds that drives trademark counterfeiting.

Websites offering counterfeits to consumers in the U.S. usually accept credit card payments. The payments are then funneled to bank accounts outside the United States, often by way of financial institutions that have both a physical presence and permission to offer banking services in the United States, but that designate the relevant accounts as outside of U.S. jurisdiction. Many would-be counterfeiters, however, cannot or will not pursue counterfeiting operations unless they have some assurance that they will be able to hide the proceeds of their activity from the reach of law enforcement. If law enforcement can effectively cut off counterfeiters’ access to their profits, then this can be a potent tool to effectively deter the counterfeiter. This approach has been one of the most effective ways to combat online infringement in the copyright context.

Government agencies coordinated through IPEC have recently enjoyed some important successes in pursuing this goal. For example, the U.S. Immigration and Customs Enforcement (ICE)-led IPR Center and DOJ recently used a provision of the Patriot Act to seize proceeds of counterfeit sales that had been spirited to accounts outside the United States. After a criminal investigation of a counterfeiting operation revealed that counterfeiters used an e-commerce service to process payments for counterfeit goods and then wired the proceeds to bank accounts in China, the government obtained warrants to seize \$826,883 from branches of the relevant banks that are maintained inside the United States. Law enforcement should continue to prioritize these kinds of operations. At the same time, courts should allow trademark owners to utilize appropriate tools of civil litigation to seize the proceeds of unlawful counterfeiting operations. Finally, policymakers should support crucial policies that aim to stem the flow of funds derived from counterfeiting.

13) Recognize and address through practical and cooperative measures the increasing challenge of policing trademarks on the Internet

Intellectual property infringement on the Internet remains challenging for trademark owners. As predicted in previous INTA submissions to this office, the launch of the new gTLD program has exponentially increased opportunities for cybersquatting, fraud and counterfeiting, and has weakened trademark owners' ability to enforce their rights effectively and at a reasonable cost.

Reliance on existing laws (such as the U.S. Anti-Cybersquatting Consumer Protection Act) and other remedies (such as the Uniform Domain Name Dispute Resolution Policy or Uniform Rapid Suspension System) has not been sufficient to address the volume of new infringements, cybersquatting and fraud. The challenges and costs of policing and enforcing trademark rights on the Internet impacts large and small trademark owners as well as the consumers they serve.

INTA has long advocated that ICANN take a more active role in enforcing its contractual provisions with registrars and registries that engage in abusive practices. But as discussed below, ICANN's current position is that these activities are not within its remit.

As INTA has commented before to this office, we believe IPEC has a unique and important role to play in advocating for the protection of trademarks (and other intellectual property) on the Internet.² In its previous submission on the 2013 strategic report, INTA highlighted some of the main challenges that trademark owners previously faced in addressing infringing domain names and websites. These problems included:

- Cybersquatting;
- Widespread inaccuracies in the contact information associated with registered domain names (WHOIS);
- Widespread use of privacy/proxy services (that shield the domain registrant's contact information from public disclosure) to facilitate abusive behavior online;
- Lack of clear and enforceable contracts for domain name registration entities; (Registry Agreement, Registrar Accreditation Agreement, etc.); and
- Inadequate contractual compliance.

Unfortunately, this list of concerns remains today, together with new issues that arise from registrar and registry abusive practices in the new gTLD program. While INTA continues to attempt to address these issues by developing policy through the multi-stakeholder process at ICANN, we also believe that there are many other venues to develop innovative solutions. We note the success that IPEC has had in developing voluntary industry best practices and believe that IPEC is in a good position to help facilitate a constructive dialog with U.S. registries, registrars and other domain name stakeholders that could lead to the creation of new best practices on many of these continuing concerns.

² INTA Submission on the Request for Public Comment Regarding the 2nd Joint Strategic Plan for IP Enforcement, August 10, 2012 at www.inta.org.

The following is a list of possible domain name-related best practices that could be the subject of voluntary industry discussion. Some of the issues, such as the WHOIS database issues, may be more contentious than others, but we list them all below for further discussion and consideration.

1. Facilitate best marketing and promotional practices for registries and registrars

Registries and registrars should agree to a set of best industry marketing practices surrounding the sale and promotion of new gTLDs before, during and after launch. INTA is concerned about a wide set of troubling new gTLD marketing and promotional practices and has raised these concerns with ICANN's Chief Compliance Officer detailing numerous bad practices employed by registries and registrars. Unfortunately, ICANN has responded that these issues are not within its remit. ICANN contends that unless a bad practice is expressly prohibited in its contracts, there is no effective means to curtail it. While we disagree with this assertion, we do agree that the time is ripe for discussions on voluntary best practices.

In general, new gTLD marketing practices must be consistent with the letter and spirit of the new gTLD Registry Agreement (RA), the Final Rights Protection Mechanism (RPM) requirements which are incorporated by reference, as well as the 2013 Registrar Accreditation Agreement (RAA). See e.g. 2013 RAA Article, Registrant's Benefits and Responsibilities (June 27, 2013) ("You shall not be subject to false advertising or deceptive practices by your registrar....") In addition, domain name industry marketing and promotional practices within the U.S. are governed by consumer protection law, primarily the Federal Trade Commission Act, 15 U.S.C. § 41 et seq., which hinges on fairness and truth. See e.g., 15 U.S.C. § 45(a)(1) ("Unfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce, are hereby declared unlawful.").

Although many of these laws and contractual obligations inure to the benefit of domain name registrants, RPMs are explicitly designed to protect trademark owners. They are seemingly contravened by unfair and misleading industry practices including: "pre-registration" schemes to sell domain names in new gTLDs, especially campaigns devoid of any disclaimers about third party rights or campaigns specifically targeting trademark owners; and self-allocation of domain names by new gTLD registries that are purposefully designed to circumvent the trademark claims notice and sunrise protections designed to protect trademark owners, (as opposed, per ICANN obligations, to reserving a reasonable number of domain names for the operational and promotional purposes of the registry).

In addition, unfair pricing schemes as a whole, and in particular premium sunrise registration fees, should be discouraged. Such schemes include targeting trademark owners by charging significantly higher prices during sunrise than prices

for similar domain names offered to the public during general availability, or otherwise charging different prices for the same service to different registrants based on who they are or what company they are affiliated with. Although ICANN compliance has stated that issues concerning new gTLD pricing are beyond its remit, the Public Interest Commitments contained in the Registry Agreement require registry operators to “operate the TLD in a transparent manner *consistent with general principles of openness and non-discrimination* by establishing, publishing and adhering to clear registration policies.” See ICANN, New gTLD Registry Agreement, Specification 11 § 3(c) (Jan. 9, 2014) (emphasis added). Moreover, regulation by ICANN of pricing for registry services is not wholly unprecedented, particularly where unfair competition concerns are present. See, e.g., ICANN, .COM Registry Agreement, Article 7.3(d) Maximum Price (December 1, 2012) (Setting a maximum price of \$7.85 USD).

Again, unfair trade practices targeting trademark owners also include exorbitant pricing for registry-designated “premium” names corresponding to well-known marks, as well as registries monetizing well-known and “premium” trademarked domain names with a close nexus between the TLD and the goods and services associated with the trademark. At least one registry in particular monetizes such names through affiliated monetization platforms. And although giveaway campaigns and tying to other Internet services have long been a staple within the domain name industry, well within the bounds of propriety, registries and registrars should be discouraged from signing up registrants en masse for promotional domain names without clear, affirmative, opt-in consent, documented through valid and enforceable click-wrap Registration Agreements, or browse-wrap website Terms of Service.

2. Explore all venues for ensuring accurate, reliable and transparent WHOIS data

Registrars and registries should continue to explore all venues for ensuring accurate, reliable and transparent WHOIS data. Such information should be publicly accessible and available from both the registrar and registry. Under the Registry Agreement and 2013 RAA, registries and registrars are required to provide public, searchable WHOIS service. See New gTLD Registry Agreement, Specification 4 § 1 (“Until ICANN requires a different protocol, Registry Operator will operate a WHOIS service available via port 43 in accordance with RFC 3912, and a web-based Directory Service at <whois.nic.TLD> providing free public query-based access. . . .”); ICANN, 2013 RAA § 3.3.1 (“At its expense, Registrar shall provide an interactive web page and, with respect to any gTLD operating a “thin” registry, a port 43 WHOIS service (each accessible via both IPv4 and IPv6) providing free public query-based access to up-to-date (i.e., updated at least daily) data concerning all active Registered Names sponsored by Registrar in any gTLD.”).

With respect to accuracy, the 2013 RAA WHOIS Accuracy Specification provides good initial standards, but best practices are sorely needed in order to increase responsiveness to complaints and encourage appropriate action in response to inaccurate WHOIS data.

In 2018, the May 25 implementation of the European General Data Protection Regulation (GDPR) has impact access to WHOIS, a critically important tool for brand owners, law enforcement, cybersecurity professionals, consumer protection companies and businesses. WHOIS information (including website registrant name, email address, postal address, etc.) enables these third-parties to access and cross-reference information to facilitate IP enforcement online. Anticounterfeiting efforts rely heavily on WHOIS data.

The Internet Corporation for Assigned Names and Numbers (ICANN), which manages the WHOIS ecosystem, and WHOIS policies, has put forth an interim GDPR-compliance model which would mandate the masking of certain WHOIS data elements (including registrant email, which is the lynchpin of most enforcement actions) in order to facilitate compliance with the law by contracted parties (Registries and Registrars). The “Interim Model” proposes layered, or gated access, which means that we may still be able to get to WHOIS data, but a complex access scheme would have to be developed.

Members of the community have varying views about what constitutes appropriate compliance with GDPR, as GDPR explicitly provides for the lawful processing and disclosure of registrant email to further legitimate purposes in the public interest (GDPR, Article 6). The GDPR Recitals also explicitly note that privacy is not an absolute right, and must be balanced with other interests, such as security, consumer protection, intellectual property rights and law enforcement. INTA has repeatedly submitted comments to ICANN stating that restricting public access to certain elements such as registrant email are over compliant with the law.

INTA has worked on developing an Accreditation and Access program for Non-Public WHOIS data, which would be implemented at the same time as the Interim GDPR Compliance model, thereby facilitating continued access to non-public data by IP owners, law enforcement, and other parties with legitimate interest. This is a complicated process and procedure, and must take into account a number of factors, including limiting access to trustworthy requestors, limiting access to data elements that serve a legitimate purpose per the limitations of GDPR, validation of these purposes, and ensuring appropriate data safeguards. The Accreditation and Access program for Non-Public WHOIS data was not fully developed and implemented by May 25, 2018, the day that GDPR becomes enforceable. Now without an Accreditation and Access program in place, WHOIS has “gone dark” for a number of third-parties that rely on the information, including brand owners. With no WHOIS information, brand owners,

IP enforcement agencies, and anyone who relies on website ownership data to identify and address counterfeiting issues will not be able to access that information. Brand owners and government agencies need to take advantage of any opportunity to amplify the voice calling for reasonable access to WHOIS data without a burdensome process requiring the validation of legitimate purpose per query, which would introduce too much latency into the process of enforcement. INTA respectfully asks the Office of the IPEC to help in this endeavor.

Registrars and registries should also agree to discuss voluntary best practices in new gTLDs related to translation or transliteration of non-ASCII characters into ASCII, or Latin-alphabet characters, and/or English. ICANN has previously indicated that it would not mandate translation or transliteration but noted that the registry or registrar could voluntarily agree to take up such measures. See ICANN, GNSO Translation and Transliteration of Contact Information Policy Development Process (PDP) Recommendations for Board Consideration (June 29, 2015). The rationale provided for *not* mandating such transformations of contact information include:

- High cost and disproportionate burden on smaller registration authorities;
- Inadequate automated systems for accurate transformation;
- Slower development in less developed regions using primarily non-Latin script languages;
- Challenges in accurately translating or transliterating proper nouns, which comprise the majority of contact data;
- Verification of accuracy by non-expert registration authorities poses additional burden and risk of inaccuracy; and
- Lack of consensus as to what should serve as a “common script” for such transformation.

On the other hand, rationale in support of mandatory translation or transliteration includes:

- More transparent, accessible, and searchable data;
- Improved communication among stakeholders lacking a common language;
- Reduced flight of bad actors to least translatable languages; and
- Improved identification of registrations by a common owner.

On balance, the ICANN community supported non-mandatory transformations of contact information, but left open the possibility of voluntary adoption of these services by individual service providers. This issue therefore appears ripe for further discussion around establishing such voluntary measures.

3. Facilitating the adoption of best practices around domain parking

Registrars should adopt a set of best practices related to the use of parked pages in connection with domain names corresponding to well-known marks, as well as

revenue sharing from such parked pages. Registrars should not knowingly or with reckless disregard, monetize domain names corresponding to well-known marks through parked pages, especially after being provided with notice by the trademark owner. We note that the recent court decision in *Academy of Motion Picture Arts and Sciences v. GoDaddy* provides extensive analysis on parked page programs and cybersquatting, confirming that GoDaddy's practices were insulated from liability under the ACPA. See Case No. 2:10-CV-03738 (C.D. Cal, Sept. 10, 2015).

4. Adopting best practices around domain name spinners

Registries and registrars should adopt a new set of best practices around misleading marketing in the use of domain name spinners (tools that suggest variations of domain names, including trademarked terms, as being "available" for purchase). Although the use of domain name spinners is not illegal *per se*, registrants may not realize that these tools may suggest domain names to them that result in cybersquatting. In a similar vein as parked page programs, domain name spinners often work through automated algorithms that do not take into account whether an entered term is or is not a trademark. As a result, in some cases, such tools include express disclaimers warning would-be registrants that their registrations of domain names suggested by the spinner may still infringe the rights of third parties, even if it does not exactly match a trademarked term, or otherwise caution users not to register names that may infringe the rights of third parties.

This area could benefit from further discussions around voluntary best practices registrars and registries should take to educate the public about cybersquatting and protect end users from trademark infringement risks. Ultimately, domain name spinners and related practices should comport with U.S. consumer protection laws such as the Federal Trade Commission Act mentioned above.

Conclusion

INTA is pleased to have the opportunity to comment on the development of the fourth Joint Strategic Plan. INTA would be pleased to answer any questions that the IPEC may have and is available to discuss our recommendations in more detail. Please contact either of the following INTA representatives:

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