INTA SUBMISSION TO THE REPORT ON THE STATE OF COUNTERFEIT AND PIRATED GOODS TRAFFICKING AND RECOMMENDATIONS

for the United States Department of Commerce

July 29, 2019

Introduction

The International Trademark Association (INTA) welcomes the opportunity to respond to the federal register request of the United States Department of Commerce for comments to the Report on the State of Counterfeit and Pirated Goods Trafficking and Recommendations.

INTA is a membership association of more than 7,200 trademark owners and professionals from more than 191 countries. INTA members collectively contribute almost $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 efforts of the United States government and congratulates the U.S. enforcement agencies 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 Department of Commerce, Department of Homeland Security and the White House to assist in the effort in the battle against counterfeiting and the struggle to improve trademark enforcement. INTA applauds these agencies for addressing the proliferation of counterfeiting on the Internet. INTA supports the efforts of the United States Government and offers its membership to collaborate with the private sector to achieve its goals. The Association believes that the development of this report is a major step and thanks the Department of Commerce for its considerations of these recommendations.

**STRATEGIC RECOMMENDATIONS**

1) **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 United States Government 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.

U.S. government agencies 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.

2) **Harmonizing mechanisms for third party intermediaries**

The sale of counterfeit goods is a significant issue facing consumers, industry and governments. The Internet heightens the counterfeiting problem as counterfeiters find simplified means and additional channels in the virtual world to promote and sell counterfeits. With its diverse membership, INTA supported the development of industry led voluntary measures for trademark owners and service providers to use in addressing counterfeits on the Internet. INTA encourages the U.S. Government to closely examine recommendations that our members have developed in the best practices paper: **Best Practices for Addressing the Sale of Counterfeits on the Internet**.

**Stronger repeat infringer policies**

Historically, online selling marketplaces have had generally lax repeat infringer policies, which allowed reported counterfeiters to continue to sell. While most marketplaces have a “notice and takedown” process that will remove reported listings, on many marketplaces, there is little to prevent that seller from re-listing and continue selling these same or other counterfeit products without penalty. On some online third-party marketplaces, our members have reported specific infringing sellers hundreds or even thousands of times to the platform and yet these sellers are still active and selling counterfeits. Other marketplaces have begun developing stricter rules, such as “three strikes” policies, but these restrictions are fairly easy for sellers to evade since these bans are often limited to particular products, rather than prohibiting sales of all products or the sellers altogether. Further, the same sellers are permitted to register multiple seller accounts, so that if one account is suspended, they can simply continue selling on other accounts.

INTA recommends even stricter repeat infringer polices, which we believe would be an effective curb against counterfeits, particularly if these polices were bolstered with greater information sharing about seller identity and prohibitions to make sure that these sellers are not operating via multiple accounts.

**Seller/Sales information sharing**
It is far too easy for counterfeit sellers to remain anonymous by using false or incomplete names, and as discussed above, there is little seller vetting by marketplaces to ensure sellers’ identities are accurate. Larger counterfeit sellers often operate multiple accounts, so that if one is penalized for illicit sales, other accounts can continue selling. A seller’s real identity is not typically available to consumers or brand owners.

Once a counterfeit seller is identified, it is difficult to determine the quantity and range of counterfeits that have been sold by that seller. Sellers typically do not comply with cease and desist letters, and marketplaces have generally been loath to share sales information. When marketplaces do provide seller and sales information, it is an effective tool in curbing counterfeit sales by allowing brand owners to identify and focus on the largest and most nefarious sellers.

INTA is not aware of any online third-party marketplace that notifies customers when the marketplace receives information that a customer may have purchased a counterfeit product. Similarly, brand owners are rarely made aware when a marketplace learns of a counterfeit sale that are outside of the counterfeits that the brand owners report directly to that marketplace. Both measures would be effective in curbing counterfeit sales on online third-party marketplaces.

Notice and Takedown Policies
INTA members have found that not all third party sites provide for unburdensome notice and takedown procedures. Third party intermediaries should provide a simplified notice sending tool and process for good faith brand owners and/or their vendors, avoiding lengthy registrations and documentation. Platforms should provide clear and easy to locate guidelines and information on how to report businesses selling counterfeits.

3) 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 the U.S. government has a unique and important role to play in advocating for the protection of trademarks (and other intellectual property) on the Internet.¹ Some of the current issues to address are:

- 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.

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. **Explore all venues for ensuring accessible, reliable and transparent WHOIS data**

   *Access to WHOIS Information after GDPR:*

   The May 25, 2018 implementation of the European General Data Protection Regulation (GDPR) has severely impacted access to the WHOIS system, a critically important tool for law enforcement, brand owners, cybersecurity professionals, consumer protection advocates 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 WHOIS policies for generic top level domains, has commenced an Expedited Policy Development Process (EPDP) to replace a Temporary Specification that has essentially allowed the WHOIS system to “go dark”. Extremely limited amounts of information are currently available as a result of the Temporary Specification and, currently, there are no reliable means of access for

¹ INTA Submission on the Request for Public Comment Regarding the 2nd Joint Strategic Plan for IP Enforcement, August 10, 2012 at www.inta.org.
those who are investigating crimes. Everyone is facing the same daunting blackout of information. The EPDP is being conducted in two phases. Phase 1, which has just been completed, focused on data collection. Phase 2, which has just begun, is focusing on data access. INTA is concerned that the results of Phase 1 are more restrictive than the current Temporary Specification and that Phase 2 will not be implemented fast enough to avoid significant harms to consumers. The Government Advisory Committee (GAC) of ICANN has issued advice that supports an expedited resolution to access as well as data collection. It is important that the U.S. government continue its vigilance regarding this critical issue.

While the results of Phase 1 were not beneficial to law enforcement or brand as we had hoped that they would be, INTA is encouraged by the fact that law enforcement and intellectual property owners will be the subject of the first two use cases to establish what access will look like in Phase 2. INTA also notes that the ICANN board did not approve two of the most concerning recommendations of the EPDP Phase 1 report regarding the purposes for data collection and the collection and publishing of an organization’s name if the owner of a domain name is not an individual. GDPR specifically distinguishes between legal and natural persons. These two recommendations will be reconsidered by the EPDP.

Interpretations of what GDPR means in terms of the WHOIS database vary and ICANN has been in contact with the EU Data Protection Board to clarify what is permissible within the WHOIS framework. However, ICANN has been opaque in sharing the agenda and outcomes of these meetings. GDPR explicitly provides for the lawful processing and disclosure data to further legitimate purposes in the public interest (GDPR, Article 6). The GDPR Recitals 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 members continue to engage in the EPDP process and advocate for a balanced approach to collecting and accessing registrant data for the purposes of intellectual property enforcement.

ICANN’s failure to implement a reasonable access model as part of the Temporary Specification has left cybersquatters and counterfeiters free to perpetuate abuse and law enforcement and brand owners with limited means of establishing the identity of suspected wrong doers. Historically, INTA has been a strong supporter of ICANN’s multi-stakeholder model. However, if ICANN cannot resolve this issue in a timely and effective manner then governments may have to step in.

Accuracy of WHOIS Data:

Registrars and registries have an obligation to ensure accurate, reliable and transparent WHOIS data. Under ICANN’s Registry Agreement (RA) and 2013 Registrars Accreditation Agreement (RAA), registries and registrars are required to provide accurate WHOIS information.
With respect to accuracy, the 2013 RAA WHOIS Accuracy Specification provides good initial standards, but enhanced best practices are sorely needed in order to increase responsiveness to complaints and encourage appropriate action in response to inaccurate WHOIS data. Further, data accuracy is a key component to GDPR compliance.

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 as we discuss access in Phase 2 of the EPDP.

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

Registrars 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.

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.

4) **Enhance and streamline customs processes and border protection – especially for small parcels.**

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. This risk has increased exponentially as counterfeits are being sold directly to consumers on the Internet as evidence with the rise of small parcels.

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.. Seizures of small consignments have risen in the last few years as a result of increased Internet sales of counterfeits. The Organisation for Economic Co-operation and Development and the European Intellectual Property Office published a report on the Misuse of Small Parcels for Trade in Counterfeit Goods (December 2018) that highlighted that between 2011 and 2013, nearly 63 percent of worldwide customs seizures of counterfeit and pirated goods involved small parcels. In the U.S. in 2017, 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. So with the rise of online counterfeiting, there is direct correlation to the growth of these small packages seized at the borders.

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:

- Develop a system to deal with small packages. An expedited administrative procedure is needed in order to deal with the many small counterfeit packages being sent to directly to American citizen from overseas counterfeiters.

- 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.

- Address the lack of information from national postal services in regards to counterfeiting. Small packages shipped cheaply from China via EMS China or China Post are a major source of counterfeits in the U.S. individuals and wholesalers who buy counterfeits on online third-party marketplaces in China and then import them to the U.S. via EMS China or China Post. They are then delivered by the U.S. Post Office and resold domestically, often on American third party platforms. Despite this, as far as we are aware, our members never received a CBP seizure notice where Postal or EMS China is identified as the carrier. It seems that CBP is not even looking at EMS shipments entering the U.S. through Postal and the EMS China packages are often missing required information or have obviously fake information. The lack of enforcement and information from the Postal environment is concerning and a significant problem. As it stands now, the best way to ship counterfeits into the U.S. from China is through the U.S. mail.

The United States’ imminent withdrawal from the Universal Postal Union Treaty may raise postage rates and slow the flow of counterfeits through the Postal environment. But given the size and scope of the problem, it seems unlikely to have a major impact. This may, however, be an opportunity to add strict IPR protections to the treaty, directed at stopping counterfeit shipments, including requiring EMS China and China Post to have correct information on waybills and to provide CBP with accurate Advance Electronic Customs Data. Likewise, the STOP Act, maybe of some help as well. While primarily intended to combat the shipment of synthetic opioids from China, the legislation, as currently written, requires Postal to keep Advance Electronic Customs Data on all packages entering the U.S. through Postal. If handled correctly, this data could be a very effective tool in combatting counterfeit shipments.

- 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.

INTA is supportive of the Voluntary Abandonment Program and recognize it could be a valuable tool to help Customs deal with the large number of small packages coming into the U.S. from China, many of which are sales from online marketplaces. Our membership is concerned as they currently do not receive seizure notice information, or any information, for any shipments that have been voluntarily abandoned. The importer/exporter and other information on seizure notices is
extremely valuable to our enforcement efforts and we rely heavily on it for targeting and developing cases against counterfeiters both in the U.S. and China.

In the fall of 2018, following its three-year pilot, CBP confirmed that it had officially rolled out the Voluntary Abandonment Program nationwide and that a total of 12,000 counterfeit shipments had been abandoned in a one year period. In that same time, CBP seized a total of 34,000 counterfeit shipments, so voluntarily abandoned shipments accounted for 26% of all counterfeit shipments stopped at the border. As a result, seizure notices are down over the last year two years. CBP’s refusal to provide seizure notice information for abandoned shipments is premised on what we believe is an erroneous reading of the Trade Secrets Act, which CBP contends does not allow for the disclosure of importer/exporter information without a seizure. In the face of numerous and repeated complaints from the rights’ holder community, CBP has stubbornly stuck to its interpretation of the law, despite the fact that the information is on the shipping label (i.e. not a secret), and its fellow agency within the Department of Homeland Security, Homeland Security Investigations (HSI) does not regard the information as a trade secret and routinely provides it to brand owners pre-seizure. Further, CBP has failed to provide any reasoned explanation for its interpretation of the law.

CBP has repeatedly told the brand owner community that it is working on regulations to allow for the sharing of importer/exporter information for counterfeit shipments that have been voluntarily abandoned. It is frustrating that CBP rolled out voluntary abandonment nationwide without first having adequate regulations in place. The brand community made CBP aware this was an issue back in 2015 when it started the pilot program. CBP’s regulations may not be adequate and/or may impose undue burdens on brand owners. With the Voluntary Abandonment Program has been running for nearly two years nationwide and the pilot program was running for another three years before that, the five-year lag to draft regulations to address brand owner’s concerns is alarming.

- 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.

- 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.

- Expand CBP’s administrative authority to detain and seize clearly infringing, though unrecorded merchandise.

- 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.

- 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.

- 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.

- 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.

5) **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 sales.

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 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.

6) 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

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).
recommends that the U.S. Government 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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7) 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.

8) 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.

9) 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.

10) Support cross-border enforcement of IP judgments

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, signed in June 2019 in The Hague, aims to facilitate recognition and enforcement of commercial 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. Unfortunately, it was decided to exclude IP judgments from the express scope of the Convention, which according to INTA’s position is a missed opportunity to improve the tools for brand owners in the combat of cross-border violations of IP rights. Plans to offer the codification of the enforcement of IP judgments in other jurisdictions within a protocol to the Convention are being discussed at the HCCH and INTA recommends careful consideration of this option. Much work has been done during the past 4 years to develop a sensible, effective and meaningful way to enable IP judgments to circulate and the right owners to protect their IP while engaging in their international trade relations. We recommend that the U.S. consider its position regarding the circulation of IP judgments and the support of a specialized protocol dealing with such judgments in due course.

11) Clarification of Service through the Hague Convention

An issue for brand owners is whether overseas-based defendants must be served for a U.S. lawsuit through the Hague Convention. Rule 4(f) of the Federal Rules of Civil Procedure governs international service of process on foreign individuals:

(f) SERVING AN INDIVIDUAL IN A FOREIGN COUNTRY. Unless federal law provides otherwise, an individual—other than a minor, an incompetent person, or a person whose waiver has been filed—may be served at a place not within any judicial district of the United States:
(1) by any internationally agreed means of service that is reasonably calculated to give notice, such as those authorized by the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents;
(2) if there is no internationally agreed means, or if an international agreement allows but does not specify other means, by a method that is reasonably calculated to give notice:
   (A) as prescribed by the foreign country’s law for service in that country in an action in its courts of general jurisdiction;
   (B) as the foreign authority directs in response to a letter rogatory or letter of request; or
   (C) unless prohibited by the foreign country’s law, by:
      (i) delivering a copy of the summons and of the complaint to the individual personally; or
      (ii) using any form of mail that the clerk addresses and sends to the individual and that requires a signed receipt; or
(3) by other means not prohibited by international agreement, as the court orders.

Many courts have found that service on China-based individuals through email under Rule (4) (f) (3). See Nagravision SA v. Gotech Int'l Tech. Ltd., 882 F.3d 494, 498 (5th Cir. 2018) (defendant’s argument “misses the mark because service was not effected pursuant to the Hague Convention, and that agreement does not displace Rule 4(f)(3).”); Maclean-Fogg Co. v. Ningbo Fastlink Equip. Co., 2008 U.S. Dist. LEXIS 97241, at *5 (N.D. Ill. Dec. 1, 2008) (“[t]he Hague Convention does not prohibit service by e-mail or facsimile”); Sulzer Mixpac AG v. Medenstar Indus. Co., 312 F.R.D. at 331-32 (granting motion to serve Chinese defendant by email);

However, other courts have found that going through the Hague Convention is mandatory, which requires the Chinese Central Authority to serve defendants. This process is a large expense that can take up to two years.

INTA would advocate for email service as the standard for these counterfeit cases brought against overseas defendants in U.S. Courts.

Conclusion

INTA is pleased to have the opportunity to comment on the development of the Report on the State of Counterfeit and Pirated Goods Trafficking and Recommendations. INTA would be pleased to answer any questions that the Department of Commerce may have and is available to discuss our recommendations in more detail. Please contact either of the following INTA representatives:

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