

March 24, 2010

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

Re: Request for written submissions regarding the Joint Strategic Plan

Dear Ms. Espinel:

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

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

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

Sincerely,



Heather Steinmeyer
President



International Trademark Association
Representing Trademark Owners Since 1878

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

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

Introduction

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- widespread inaccuracies in the contact information on registered domain names¹;
- growth of “proxy” services offered by Internet domain name registration service providers. Such proxy services shield the domain owner’s identity and whereabouts from public disclosure. When used in conjunction with websites offering advertising or sale of commercial goods and services, it obstructs the ability of trademark owners and law enforcement to institute legal action to prevent the abuse of intellectual property and consumer harm; and
- lack of contractual compliance by Internet domain name registration service providers with domain name system regulations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additional Trademark Infringement Topic: Parallel Imports

Introduction

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

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

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

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

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

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

Lever Rule

U.S. Customs attempted to address the gray market goods problem and the decision in Lever Bros. Co. v. United States,⁴ through the implementation of the Lever Rule regulations in 1999⁵. Under these regulations, a trademark owner who first records its registered mark with U.S. Customs may petition Customs to stop the importation of any gray market good that bears its mark and materially differs from the authorized domestic goods. The regulations provide that the gray market importer in turn can respond by either obliterating the trademark or applying a special label that states that the goods are physically and materially different from authorized products of the U.S. trademark owner. Customs will not detain goods that have this special label.

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

Lever Rule Impact Undercut

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

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

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

⁵ 19 CFR § 133.23.

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

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

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

Proposed Changes

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

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

Conclusion

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

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