The International Comparative Legal Guide to:

Trade Marks 2017

6th Edition

A practical cross-border insight into trade mark work

Published by Global Legal Group, with contributions from:

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Chapter 1

The Global Trademark Community’s Key Challenges in 2017

International Trademark Association (INTA)

The International Trademark Association (INTA) is the global association of trade mark owners and professionals dedicated to supporting trade marks and related intellectual property (IP) in order to protect consumers and to promote fair and effective commerce. In 2017, our top policy priorities are counterfeiting, Internet governance and expansion, and brand restrictions. Below I provide a brief explanation for why INTA has prioritised these issues, highlight the Association’s activities on these fronts, and offer what we view – as the collective voice for brand owners and as a leader within the global trade mark community – to be the path forward in addressing these pertinent issues.

Counterfeiting is on the Rise

Counterfeiting is the most critical IP issue facing brand owners and consumers today. It directly affects national security, the global economy, and poses significant health and safety risks for consumers and their communities.

The growing economic impact presented by counterfeiting is underscored in the findings of a few recent key research studies. Ten years ago, in 2007, worldwide counterfeiting was valued at an estimated US $250 billion and accounted for 1.8% of world trade. Last year, a 2016 report by the Organisation for Economic Co-operation and Development (OECD) estimated that in 2013, these numbers rose to US $461 billion and 2.5% respectively. No doubt, the counterfeiting trade is expanding. Further, a 2017 report (commissioned by INTA and the International Chamber of Commerce – Business Action to Stop Counterfeiting and Piracy (ICC-BASCAP)) forecasts that international trade in counterfeiting will more than double over the next few years to US $991 billion. The growing economic impact presented by counterfeiting is critical, it is only one piece of the puzzle.

In an increasingly integrated global economy, the task at hand of combatting counterfeiting is one that rests with all stakeholders in all corners of the world, and with the active players at all stages of the supply chain. China is both the world’s largest exporter and the largest exporter of counterfeit goods. INTA is pleased to be able to work with the Chinese authorities on many fronts to combat this issue. We are working together to prevent counterfeit goods from reaching consumers in China and around the world, and great progress is being made. While addressing the issue at the source is critical, it is only one piece of the puzzle.

Shipping and customs agents control key access points where goods enter their countries, including counterfeit goods. It is estimated that the ports of the United States, for example, handle more than two billion tons of cargo annually. Los Angeles is the United States’ busiest seaport. In 2015, this port alone processed 4.1 million containers. The results of these studies illuminate a simple fact: counterfeiting is a profitable, low-risk, high-reward business. Counterfeit goods can often be sold for 10 times the amount they cost to manufacture, and the risk is low as the penalties imposed for counterfeiting rarely include long prison sentences.

Compounding the issue, the prominence of counterfeiting in criminal networks has become part of the larger threat. Indeed, many counterfeiters have established complex networks with supply chains and processes to manufacture and distribute their illicit goods. These illegal outfits often mimic legitimate businesses, making them difficult to locate. For example, counterfeiters are often manufactured in buildings commingled with legitimate businesses to conceal their criminal activity. In terms of distribution, counterfeiters are using both large shipping companies and small consignments (sent via express courier services) to get their goods to the consumer. Additionally, we continue to see counterfeit being sold in open-air markets around the world.

No doubt, customs plays an integral part in addressing many of the challenges posed by the counterfeiting trade, and is often a country’s first line of defence against counterfeiters. It is estimated that the value of counterfeit products imported into the EU was US $90.9 billion in 2013. However, in that same year, the European Commission reported that EU Customs seized over 40 million articles suspected of violating IP rights in 2015. This presents a challenging workload for customs inspectors. It has been reported that the number of IP rights seizures in the US increased by nearly 25% in 2015 to 28,865. If these goods had been genuine, the total estimated manufacturers’ suggested retail price of the seized goods would have been US $1.4 billion. By contrast, the 2015 report on customs enforcement and IP rights in the European Union stated that EU Customs seized over 40 million articles suspected of violating IP rights in 2015.

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Consumers are increasingly moving online to do their shopping... and the counterfeiters have followed. It is predicted that by 2020, there will be 6.1 billion smartphone users globally, led by growth in less mature markets; and in about five years, over 70% of the world’s population will be online. No doubt, counterfeiters are being sold online to unsuspecting shoppers. These criminals are able to hide behind the anonymity of the Internet and sell to consumers globally. The criminals can further deceive consumers by displaying genuine goods on a website and then shipping the counterfeit goods to the consumer. This compounds the challenge of arresting the counterfeiters as they can very quickly shut down one website and replace it with another. In this vein, international
Building a Global Anticounterfeiting Network

Anticounterfeiting advocacy and other proactive combative measures involve many players, including rights holders, customs officials, law enforcement, legislators, the IP offices, intermediaries and consumers. To address this challenging issue and combat the complex and global counterfeiting network, this group must establish a multi-stakeholder anticounterfeiting network that includes:

- coordinated law enforcement across jurisdictional boundaries;
- cooperation with intermediaries such as search engines, shippers, payment providers, registries, registrars, online marketplaces and social media;
- judiciaries imposing substantial penalties, and more criminal penalties on counterfeiters and those that help facilitate counterfeiting activities;
- rights holders working together, as they do in industry and trade associations;
- partnership between the private and public sectors; and
- industry helping government to understand the practical implications of policy and legislative decisions.

Strengthening these networks will weaken the criminal networks peddling counterfeit goods. INTA’s goal is to convene these stakeholders, to open communication channels between them, and to foster meaningful collaboration among them.

The Association’s anticounterfeiting initiatives are spearheaded by its Anticounterfeiting Committee, with the guidance and support of INTA staff. The committee has 272 members worldwide representing 72 brand owners, as well as law firms, brand protection experts, and investigators. They are the experts in their regions and help INTA with its advocacy efforts in combatting counterfeiting. The Committee’s work includes:

- issuing comments on laws and regulations dealing with counterfeiting;
- holding policy dialogues to foster collaboration between stakeholders;
- frequent meetings with government officials to discuss the state of IP and counterfeiting; and
- providing training and resources for customs officials, IP offices and brand owners.

In terms of training, in 2016 INTA launched its Customs Connection Webcast Series. The webcasts provide customs officers around the world with product identification trainings directly from brand holders. The first three webcasts are focused on the fashion, personal care and the pharmaceutical industry, and are available in English, Mandarin and Spanish. Webcasts covering consumer electronics, energy and sports were launched earlier this year. These webcasts are free of charge to customs officials to view on www.inta.org. The Association also provides regional customs training. These events bring INTA brand owners together with enforcement officials, facilitating brand identification training and providing brand owners with one-on-one interaction with the officials.

INTA also sends regular delegations to countries around the world to engage with government officials. So far in 2017, we have held meetings in Canada, China and India. We have also held successful online counterfeiting policy dialogues in Hong Kong, India, Italy, Philippines, Singapore, Thailand, and six to date in China, to name a few.

Additionally, INTA develops numerous anticounterfeiting resources for our members. We are currently updating a 2009 resource on Best Practices for Addressing the Sale of Counterfeits on the Internet. In 2016, the very popular Country Guides were also updated to include information on each jurisdiction’s border control measures. Furthermore, a Trademark Administration Checklist on Customs Recordation is now also available to members on the INTA website.

Last but not least, during INTA’s 2017 Annual Meeting in Barcelona in May, the Anticounterfeiting Committee is supporting a two-day workshop entitled “Strategy Plus Collaboration: The Key to Success Against the Crime of Counterfeiting”. This workshop will give in-house teams and government officials an opportunity to benchmark and collaborate with other brand owners, investigators, law enforcement and governmental agencies, leading anticounterfeiting associations and legal experts, in order to identify best practice.

Internet Governance and New gTLDs

While counterfeiting is arguably the greatest threat to brand owners, grappling with the issues of Internet governance and the expansion of the domain name system can be extremely challenging and, indeed, even deleterious when it comes to protecting trade mark rights.

We have observed immense growth and interest in the Internet in the past 25 years. In 1995, less than 1% of the world’s population had an Internet connection. Today, more than 3.5 billion people are online, and it is estimated that 10 more people come online every second! The Internet is an integral part of our daily lives, and in the operation of our businesses, stock markets, and government agencies. Global business-to-consumer e-commerce is growing at an incredible rate. In 2012, it surpassed US $1 trillion. By 2015, it more than doubled to US $2.2 trillion. Consumers in the Asia-Pacific region are responsible for more than half of online shopping, followed by North America, accounting for around a quarter, or US $644 billion, of all business-to-consumer sales in 2015.

INTA serves as a leading voice for brand owners in the evolution of the Internet and is a founding member of the IP Constituency within the Internet Corporation for Assigned Names and Numbers, widely known as ICANN. INTA is working to ensure that trade marks receive the same protection on the Internet as they do in the brick-and-mortar world, and that consumers can make safe, reliable, and informed choices about the products and services they seek online. Brand owners’ voices are critical to the security and stability of the Internet as they are on the frontlines of protecting consumers from fraud and abuse.

Internet Governance Transition and the Future

In early 2014, the United States government announced its intent to transition the key Internet domain name functions to a global multi-stakeholder community, known as the Internet Assigned Numbers Authority or “IANA”. As the contractor of these functions and the custodian of the domain name system, ICANN was tasked with formulating a transition plan that addressed four key principles:

1. support of the multi-stakeholder model;
2. security, stability, and resiliency of the domain name system;
3. assurance that the needs and expectations of Internet users and key stakeholders are met; and
4. importantly, that the openness of the Internet is maintained.

ICANN developed and adopted a plan for the IANA transition that included key accountability reforms. This was spearheaded by the multi-stakeholder community including representatives from the brand owner community, the tech community, the private sector, and civil society organisations. INTA’s members assumed a central role in the steering committee and other working groups.

In May 2016, ICANN began the transition process, fulfilling its mission to foster a future Internet that is more secure, more stable and more resilient. In December 2016, ICANN completed the transition of functions, and is now focused on maintaining and improving the IANA services and systems.

In early 2017, ICANN began the IANA-Stewardship Transfer Project (ISTP). This project is designed to ensure that ICANN continues to provide high-quality, reliable services and to foster the stability and security of the Internet domain name system. The ISTP is a multi-phase process that involves several implementation milestones, including the transition of IANA’s core functions to ICANN. The project is expected to conclude in late 2017.

As the transition continues, INTA remains committed to ensuring that brand owners’ interests are represented and protected. We will continue to work closely with ICANN and other stakeholders to ensure that the Internet remains a secure, stable, and resilient platform for commerce and communication.
role, serving on several working groups, including on the group that initially devised the plan and continues to work on its implementation measures.

On October 1, 2016, the US government allowed its contact with ICANN contract to expire. This was a tremendous milestone for the global Internet community, underscoring both the profound complexity of the World Wide Web, and the fundamental role that the Internet now plays in the global economy and in our daily lives. Marking the occasion, ICANN Board Chair Stephen Crocker noted: “[T]he global Internet community has validated the multi-stakeholder model of Internet governance. It has shown that a governance model defined by the inclusion of all voices, including business, academics, technical experts, civil society; governments and many others is the best way to assure that the Internet of tomorrow remains as free, open and accessible as the Internet of today.” For INTA members, Mr. Crocker’s comments stress two critical points with regard to the future of the Internet: Firstly, that Internet governance must be inclusive, and secondly, that the Internet must be open and accessible to everyone.

Following the transition, the Internet community gained the power to remove individual or all of the members of the ICANN Board, results of independent review decisions will be binding, and the ICANN Board and staff will be subject to new accountability measures that are currently being negotiated. At present, one component of policy development known as “Work Stream 2” is looking at nine major areas of concern with regard to ICANN accountability and impact:

- diversity;
- guidelines for good faith conduct for exercising removal of ICANN board members;
- human rights;
- jurisdiction;
- the role of the ombudsman;
- reviewing the community engagement process;
- supporting organisation/advisory accountability;
- staff accountability; and
- transparency.

INTA, through its Internet Committee, is playing a key role in ensuring that ICANN fulfills its obligations to maintain a secure, stable, and resilient Internet. INTA members are participating in key review processes that have a direct impact on the ability of brand owners to protect their names in the domain space. The two key areas of interest for INTA are (1) jurisdiction, and (2) transparency. Additionally, INTA is working to ensure that:

- ICANN’s enforcement of its policies with regard to protecting recognised IP rights is a component of accountability;
- enforcement is managed through reliable and fair policies for protecting IP as names are delegated to registries and purchased through registrars;
- the contractual relationships with these entities is consistently monitored, enforced, and informed by ICANN;
- “sunrise” periods and dispute resolution processes are consistently administered with reasonable outcomes;
- the openness of the Internet is guarded and can support the smooth functioning of commerce and enforcement of trade mark rights online; and
- that accountability and security are maintained in order to protect rights holders and, ultimately, the end user – the consumer.

**Monitoring New gTLDs and the Rights Protection Mechanisms (RPMs)**

In 2012, the new Generic Top-Level Domains programme (gTLDs) was launched. Over 1,900 applications were received for new domain strings which included dot brands, dot generic terms and Internationalised Domains. The first new gTLD string in non-Roman script was delegated to a Chinese character string for “games” in October 2013. Today, more than 1,200 new names have been delegated.

The introduction of new gTLDs created new opportunities and challenges for brand owners. While some brand owners have chosen to launch domains for their dot brand and create new channels for brand awareness and community building, most are closely monitoring the programme to ensure that their brands are protected within the new domains. INTA continues to advocate for rights protection mechanisms to help brand owners police and protect their brands. These mechanisms include:

- the Uniform Dispute Resolution Policy which is an arbitration mechanism for bad faith registrations;
- Sunrise Registration for trade mark owners;
- the Trademark Clearing House, a system where rights holders can register their trade marks and receive notification when a domain matching the registered trade mark has been purchased;
- Uniform Rapid Suspension, which provides a lower-cost, faster-track mechanism for rights holders who can demonstrate the most clear-cut cases of infringement; and
- Post-Delegation Dispute Resolution Procedures, which are an avenue for administrative complaints against domain registries that may be complicit in trade mark infringement.

All of the rights protection mechanisms are currently under review, and INTA has issued a call to action for all brand owners to become involved in this process. The review of the Uniform Dispute Resolution Process especially, and the rights protection mechanisms generally, are critical for: (1) access to reliable, accurate, and contactable domain registration data; and (2) the allocation of future new gTLDs, including the “dot” brands.

INTA’s efforts with regard to Internet governance and expansion are undertaken with the goal of ensuring that the ongoing innovation of the Internet is balanced with the need to address trade mark infringement online. The Association has continued to encourage the trade mark community to remain vigilant and safeguard the rights enjoyed under ICANN. INTA suggests that all brand owners become active in the ICANN working groups exploring these issues and make their voices heard.

**INTA is Conducting a gTLD Impact Study**

INTA is conducting a gTLD impact study to determine the costs that trade mark owners have incurred as a result of enforcement challenges in the new gTLDs programme. This study is, in part, in response to a request from ICANN’s Competition, Choice and Trust Review Team. The ICANN team is exploring:

- the extent to which the introduction or expansion of gTLDs has promoted competition, consumer trust and consumer choice; and
- the effectiveness of both the application and evaluation process, and the safeguards put in place to mitigate issues involved in introduction or expansion.

INTA’s initial concerns about the exponential expansion of the gTLD programme were focused on the high enforcement costs. This study should provide valuable data before gTLDs are further expanded.
Key Challenges in 2017

The seriousness of the threat to brand owners’ rights led to the INTA Board’s decision to approve a resolution in 2015, reinforcing the Association’s long-standing position on the issue of plain and standardised packaging. The resolution cites violations of various international treaties regarding IP rights, and calls for governments to reject or repeal such legislation and to use less drastic alternatives to address health and safety goals, such as public education campaigns.

Since this issue first appeared, INTA has diligently advocated for trade mark rights. The Association has pressed governments to take a balanced approach when considering how to address the public health issue to ensure the integrity of their IP systems as a means to promote investment and economic growth. Further, INTA has filed submissions on this issue with governments in more than 22 jurisdictions across Africa, Asia, Europe and the Americas.

It is clear that brand restrictions initially targeted at tobacco products are now being expanded into other industries and product categories. The legal options appear to have been exhausted and a decision by the WTO is unlikely to reverse legislation already in place. INTA continues to advocate that this issue necessitates discussions at the highest levels of government. We remain committed to seeking ways to address the threat of brand restrictions by emphasising the need for alignment of policies on IP rights and public health in order to advance future economic and social welfare.

Looking Ahead

2017 is shaping up to be busy year for the global trade mark community. For INTA, it is also a transition year as we conclude our 2014–2017 Strategic Plan and prepare for the implementation of our 2018–2021 Strategic Plan, which we look forward to unveiling during the opening ceremony of our 2017 Annual Meeting in Barcelona, Spain this May.

Throughout the year ahead, we will continue to advance our policy agenda, to combat counterfeiting, to monitor and promote trade mark rights in ongoing discussions on Internet governance and expansion, to stress the implications for IP with regard to brand restrictions, and to advocate on behalf of brand owners globally. We welcome all those who wish to join us in our mission of supporting trade marks and related intellectual property in order to protect consumers and to promote fair and effective commerce.
**Key Challenges in 2017**

The International Trademark Association (INTA) is the global association of trade mark owners and professionals dedicated to supporting trade marks and related IP in order to protect consumers and to promote fair and effective commerce. Members include more than 7,000 trade mark owners, professionals and academics from more than 190 countries, who benefit from the Association's global trade mark resources, policy development, education and training, and international network. Founded in 1878, INTA is headquartered in New York City, with offices in Brussels, Shanghai, Singapore and Washington, D.C., and representatives in Geneva and New Delhi.

### Joseph Ferretti

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Mr. Ferretti joined PepsiCo after spending 13 years at the Oklahoma law firm Crowe & Dunlevy, where he was a Partner and Chair of the firm’s IP group.

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In his role as President of the International Trademark Association (INTA), Mr. Ferretti is Chair of the Board of Directors and Executive Committee.

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