

AIPLA

American Intellectual Property Law Association

September 9, 2019

The Honorable Hank C. Johnson
Chairman
Committee on the Judiciary
Subcommittee on Courts, Intellectual
Property, and the Internet
United States House of
Representatives
6310 O'Neill House Office Building
Washington, DC 20024

The Honorable Martha Roby
Ranking Member
Committee on the Judiciary
Subcommittee on Courts, Intellectual
Property, and the Internet
United States House of
Representatives
504 Cannon House Office Building
Washington, DC 20515 – 0102

Re: AIPLA Views on “Counterfeits and Cluttering: Emerging Threats to the Integrity of the Trademark System and the Impact on American Consumers and Businesses.”

Dear Chairman Johnson and Ranking Member Roby:

The American Intellectual Property Law Association (“AIPLA”) is pleased to have the opportunity to present its views on the subject matter of the Subcommittee’s July 19, 2019, hearing on “Counterfeits and Cluttering: Emerging Threats to the Integrity of the Trademark System and the Impact on American Consumers and Businesses.” We thank you in advance for consideration of these views and ask that they be made a part of the hearing record.

AIPLA is a national bar association of approximately 12,000 members who are primarily lawyers engaged in private or corporate practice, in government service, and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that

stimulate and reward invention while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.

AIPLA applauds the Subcommittee's attention to the issues raised at the hearing. It respectfully submits this letter to address some specific strategy recommendations with respect to those issues.

A. Congress Should Carefully Consider Action to Reduce Clutter on the USPTO's Registers

AIPLA shares the concern of the members of the Subcommittee, Commissioner Denison, and Professor Jeanne Fromer regarding clutter on the USPTO's registers. This all too often results from inaccurate—and increasingly even fraudulent—filings by parties seeking to procure or maintain registrations, some of whom are subsidized by provincial governments in China. AIPLA applauds the USPTO's recent initiatives in this area, which include the post-registration audit program, the requirement that applicants and registrants secure U.S. counsel for the submission of certain filings,¹ and the newly issued examination guide on the identification of fake specimens.² Nevertheless, as reflected in Commissioner Denison's testimony, there are limits on what the USPTO can do on its own initiative, a situation that often forces mark owners affected by clutter to take matters into their own hands by initiating opposition and cancellation proceedings before the Trademark Trial and Appeal Board. Although it may be true that the owners of meritless or defunct claims of trademark rights in the USPTO often default in Board actions, such a disposition does not obviate the need for the proceeding in the first place. Moreover, so long as those claims are a matter of record in the

¹ 84 Fed. Reg. 31498 (July 2, 2019) (to be codified at 37 C.F.R. pts. 2, 7, 11), *available at* <https://www.federalregister.gov/documents/2019/07/02/2019-14087/requirement-of-us-licensed-attorney-for-foreign-trademark-applicants-and-registrants>.

² *Examination Guide 3-19: Examination of Specimens for Use in Commerce: Digitally Created or Altered and Mockup Specimens* (July 2019), *available at* <https://www.uspto.gov/sites/default/files/documents/Exam%20Guide%2003-19.pdf>.

USPTO, they greatly interfere with the clearance of prospective marks for adoption and registration by those with legitimate interests in them.

AIPLA therefore encourages the Subcommittee to consider changes to the Lanham Act to permit challenges to trademark-related claims resting on flawed filings or covering marks that have been abandoned. At the same time, however, this subject merits careful study before action is taken. For example, AIPLA respectfully submits that a departure from the high standard for demonstrating fraud on the USPTO could have unintended consequences for the claims of applicants or registrants who were unaware of problems with those claims. AIPLA is also concerned that creating a mechanism for initiating challenges to existing registrations by any member of the general public (and not merely interested parties) could itself be abused.

B. AIPLA Supports Congressional Action Against Counterfeiting and Infringement

Witnesses at the hearing presented compelling testimony of the myriad dangers to the public health and safety of goods sold under counterfeit and infringing trademarks. Congress has acted in the past against these sales. The technological resources available to defendants (including those active in organized crime, for whom counterfeiting is a substantial revenue source), has increasingly weakened existing remedies. AIPLA, therefore, encourages Congress to provide continued guidance and support against counterfeiters and infringers in the areas set forth below.

1. Congress Should Reestablish the Presumption of Irreparable Harm in Trademark and Unfair Competition Litigation on a National Basis

As set forth in the attached correspondence, AIPLA joins the Intellectual Property Owners Association and the International Trademark Association in supporting the

Subcommittee’s consideration of a change to the Lanham Act to restore the ability of prevailing plaintiffs to secure injunctive relief without first proving irreparable harm.

Prior to 2006, federal courts with near uniformity recognized that success on the merits (or a probability of success on the merits for preliminary injunctive relief) in trademark and unfair competition actions established a rebuttal presumption of irreparable harm. Since the Supreme Court’s opinions in the non-trademark cases of *eBay Inc. v. MercExchange, LLC*,³ and *Winter v. Natural Resources Defense Council, Inc.*,⁴ however, several lower federal courts have held plaintiffs under the Lanham Act to increasingly high standards for demonstrating irreparable harm necessary to support injunctive relief.

Opinions from these courts have required proof of lost sales⁵ and expensive survey evidence of actual confusion.⁶ Some also foreclose that irreparable harm may exist where the rights holder has offered to settle or offered a phase-out period,⁷ plaintiff’s sales have increased during the infringement,⁸ or defendant voluntarily discontinues the infringing use.⁹ Particularly, in light of the difficulty in securing substantial monetary relief for violation of the Lanham Act, decisions such as these substantially weaken the rights granted to plaintiffs under the Act. More importantly, they threaten the “paramount” interest of the public in avoiding confusion and deception.¹⁰

Congressional action to confirm—and not to create for the first time—a presumption of irreparable harm would not unreasonably tilt the playing field in favor of plaintiffs. For one

³ 547 U.S. 388 (2006).

⁴ 555 U.S. 7 (2008).

⁵ See *Granite State Trade Sch., LLC v. N.H. Sch. of Mech. Trades, Inc.*, 120 F. Supp. 3d 56, 67 (D.N.H. 2015).

⁶ See *adidas Am., Inc. v. Skechers USA, Inc.*, 890 F.3d 747, 756 (9th Cir. 2018).

⁷ See *Kotori Designs, LLC v. Living Well Spending Less, Inc.*, 120 U.S.P.Q.2d 1800, 1803 (M.D. Fla. 2016).

⁸ See *Hoop Culture, Inc. v. Gap, Inc.*, 122 F. Supp. 3d 1338, 1346 (M.D. Fla. 2015), *aff’d*, 648 F. App’x 981 (11th Cir. 2016).

⁹ See *FLIR Sys., Inc. v. Sierra Media, Inc.*, 965 F. Supp. 2d 1184, 1211-12 (D. Or. 2013).

¹⁰ See *Coach House Rest., Inc. v. Coach & Six Rests., Inc.*, 934 F.2d 1551, 1564 (11th Cir. 1991).

thing, defendants could rebut the presumption by demonstrating plaintiff unreasonably delayed in seeking relief.¹¹ For another, plaintiffs must satisfy the remaining prerequisites for injunctive relief, namely, that there is no adequate remedy at law,¹² that the balance of the equities favors the plaintiffs,¹³ and that the public interest warrants judicial intervention.¹⁴ AIPLA, therefore, urges the Subcommittee to consider a change to the Lanham Act to restore the ability of prevailing plaintiffs to secure injunctive relief without onerous showings of irreparable harm.

2. AIPLA Supports User-Friendly and Standardized Processes for Reporting Goods Bearing Counterfeit and Infringing Marks

AIPLA supports online marketplaces having user-friendly and standardized processes for intellectual property owners or their authorized representatives to report goods bearing counterfeit and infringing marks. AIPLA also supports online marketplaces having clearly articulated requirements for what rights holders should include when reporting counterfeits and infringements, their methods for analyzing those reports, and the period within which online marketplaces must decide whether to remove the item.

3. AIPLA Supports Congressional Authorization for Exclusive Licensees to Combat Counterfeit and Online Infringement

AIPLA recommends that Congress consider allowing trademark owners to authorize their exclusive licensees to record with CBP, and enforce rights to, the registered marks covered

¹¹ See, e.g., *Wreal, LLC v. Amazon.com, Inc.*, 840 F.3d 1244, 1248 (11th Cir. 2016) (rejecting claim of irreparable harm in light of plaintiff's five-month delay in seeking preliminary injunctive relief).

¹² See, e.g., *Reservoir, Inc. v. Truesdell*, 1 F. Supp. 3d 598, 617 (S.D. Tex. 2014) (denying injunctive relief after finding that "monetary damages can adequately compensate Plaintiffs for past injury they prove they have suffered").

¹³ See, e.g., *Dist. Brewing Co. CBC Rest., LLC*, 118 U.S.P.Q.2d 1535, 1540 (S.D. Ohio 2016) (denying preliminary injunction based on testimony by defendant's principal that "rebranding . . . would be 'very detrimental'").

¹⁴ See, e.g., *Am. Beverage Corp. v. Diageo N. Am., Inc.*, 936 F. Supp. 2d 555, 617 (W.D. Pa. 2013) (concluding that public interest in availability of competing products warranted denial of injunctive relief).

by the exclusive licenses. This is particularly important if the mark owner is located outside the United States and the exclusive licensee is a United States company.

4. AIPLA Urges Congress Provide Resources for Increased Monitoring and Inspection of Shipments Through the U.S. Postal Service and Small Package Courier Distribution Centers for Goods Bearing Counterfeit Marks

To avoid detection, counterfeiters have changed their methods for importing their goods into the United States. Small packages provide a convenient channel for illicit products, as small shipments (compared to larger shipments declaring hundreds, if not thousands of units) often go unnoticed. Similarly, the U.S. Postal Service does not seize goods bearing counterfeit marks. In light of counterfeiters' increasing utilization of small-package courier distribution centers and the U.S. Postal Service, AIPLA recommends that Congress allocate the resources necessary to monitor and inspect shipments through these channels.

5. Congress Should Ensure Improved Data Sharing Necessary to Combat Counterfeiters

Improved data sharing between CBP, e-commerce platforms, shipping companies, and mark owners will assist in more quickly identifying counterfeiters and the unlawful goods sold by them. Identification of the individuals responsible for selling and shipping such goods through their online accounts (*e.g.*, e-commerce and social media) will help identify and combat counterfeiters. Shipments made through certain e-commerce sites also contain a unique and separate tracking number. Because the names of the importer and exporter are frequently falsified, AIPLA recommends that stakeholders be provided with the information necessary to track this data and that CBP participate in that process. This will allow those stakeholders to monitor shipments more effectively and efficiently and to help reduce the number of goods bearing counterfeit marks coming into the United States.

C. Congress Should Take Action to Protect Well-Known Marks

The United States has been a member of the Paris Convention since 1887. The Paris Convention is not self-executing; its provisions carry the force of law in the United States only to the extent that Congress has codified them.¹⁵ Although Congress has codified many of the Convention's provisions, it has not done so where the protection for well-known marks mandated by Article 6*bis* of the Convention is concerned.¹⁶

This omission has produced a split among the federal courts over the extent to which protection is available against the misappropriation of marks not used within the United States but still well-known to United States consumers. The Ninth Circuit has acknowledged the possibility of protection under these circumstances¹⁷ but the Second Circuit has reached the opposite conclusion.¹⁸ Beyond placing the United States' compliance with its treaty obligations into question, the lack of uniform nationwide protection for well-known marks used outside the United States enables the misappropriation of the goodwill attached to those marks to deceive consumers familiar with them. AIPLA, therefore, urges the Subcommittee and Congress to address this gap in protection for the public and mark owners alike by amending the Lanham Act to bring the United States into compliance with Article 6*bis*.

AIPLA appreciates the opportunity to provide input to the Subcommittee on the important issues raised by the July 9 hearing. We are continuing to gather relevant information and look forward to working with the Subcommittee and its staff.

¹⁵ See generally *In re Rath*, 402 F.3d 1207, 1209 (Fed. Cir. 2005).

¹⁶ Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, 21 U.S.T. 1583, 828 U.N.T.S. 305, art. 6*bis* (last revised at Stockholm July 14, 1967).

¹⁷ See *Grupo Gigante SA de CV v. Dallo & Co.*, 391 F.3d 1088, 1094 (9th Cir. 2004).

¹⁸ See *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 165 (2d Cir. 2007).

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Sincerely,

A handwritten signature in blue ink, appearing to read "Sheldon H. Klein", with a period at the end.

Sheldon H. Klein
President
American Intellectual Property Law Association