



TRANSCRIPT

LegalMindsTV Exclusive Interview:

" Protecting Brands from Trademark Infringement"

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<http://legalminds.tv/index.php/2009/12/16/protecting-brands-from-trademark-infringement/>

Before we get started, Greg, please me a little bit about the focus of your practice at Duane Morris.

We have a very broad trademark practice, trademark copyright in entertainment, also touch on some advertising issues. We go through all aspects of trademarks, which is I think somewhat unusual, there's some people that do trademark prosecution, some people that do trademark litigation. We do a much broader practice in terms of not only just negotiating consensus and complex license agreements but we also do the entertainment aspects of trademarks, as trademarks have now become.

Every celebrity has become a brand, every athlete has become a brand, every musician has become a brand and advertisers are looking to tie-in to celebrities because of the culture of America really seems to gravitate towards celebrities.

Give me an idea of some of the kinds of trademark issues or infringements that you typically come across, may be some of the more interesting examples?

Some of the more interesting examples now of trademark laws really involve social media networks because the rules are really not prescribed in stone and they are really evolving. So people want to know the rules, what can they do. Can I re-tweet something for example? If somebody clicks on a consent, an email dropdown, does that mean I can use their statements in advertising and how much can I use? Can I use all of it, can I use some of it, and for what purpose can I use it?

What kind of damages are involved in cases of copyright infringement?

Copyright infringement is one of the areas of law where there's statutory damages. So it's even easier to get damages against someone than it is in other areas where you would necessarily have to have an expert to prove what your damages are.

In copyright infringement, the statutory damages go up to \$150,000 per infringement. If you can show willfulness and as you can imagine with a bunch of works that might be allegedly infringed, the potential damages could be very high, well into the millions.

In the case of the rights holder, what can they do to actually protect their marks from -- other than litigation or taking acts to enforce or remove infringing product?

There are a lot of things that companies and brand owners can do to protect their marks prior to any type of activity. One would be to register the trademarks federally -- that offer some levels of protection.

Another good thing to do is to record the marks with U.S. Customs authorities, so that when you have counterfeits or gray market goods being imported, then you can take action.

And I guess another thing you can do is to make sure you have the proper copy in advertising materials and you put the R in a circle when it's registered or TM when you assert trademark rights in a mark.

What actions can be taken to protect physical, branded products from being counterfeited?

There are quite a few things that people can do to protect products from being counterfeited in terms of what they do with the physical products. Some companies have put in computer chips into coats and things like that. So that you can see there is special wording you can put on tags. There is identification numbers that can be hidden somewhere in different products. There is lot numbers. There are all type of things like that that one can use.

Are there any products that you think that consumers are particularly vulnerable to in terms of counterfeiting, which may present more significant risks than just perhaps overpaying for that product?

Well, I think all counterfeit products are of concern to consumers. Although obviously things with health risk -- food products and medication, and pharmaceuticals which pose the greatest risk because improper pharmaceutical could cause death.

One of the things I think that's happening is, before people were used to seeing counterfeit jewelry and watches and it didn't occur to people that someone would be brazen enough to make counterfeit products of pharmaceuticals. Well, now the range is really unlimited. People make counterfeit soap and counterfeit shampoo and one might ask why would someone do something like that at the low price points. But even if something sells for \$3 and they can sell it for \$1.50 in counterfeit, they'll do it and these products of course are not FDA approved and they haven't gone through the rigorous testing such as what a legitimate

consumer products company would do. So you have no idea what's in there, what chemicals, whether they are banned chemicals or substances, what effects they might have, how they might interact with other medications and/or other products that people take.

In the case of those kinds of products, how does a holder of a trademark actually how discover infringing product in the marketplace?

Brand owners discover counterfeit in gray market goods through a variety of means. One of which is Customs calling up and saying we have this and this doesn't seem to look right to us. Sometimes it's also consumers calling hotlines and sending emails. And it's also through looking in the marketplace themselves.

One place where some frequent consumer products show up that are counterfeit and/or gray good products is the 99¢ stores. It's evolved to a point where someone has a store chain, they are more vulnerable (to being discovered.) They are out there, they are marketing, they are easier to be caught on the Internet. A lot of the \$0.99 stores don't have any Internet presence. They don't come up in searches. So it's really just from someone buying something there. They have quite an array of products and sometimes those 99¢ stores feel that's the way that they can compete is to sell gray market and/or counterfeit products.

Do you feel that retailers are typically complicit in it or are they frequently victims of counterfeiters?

I think, people that sell counterfeit or gray goods are certainly complicit in the process. I mean they are aware of what is an actual product or not and sometimes in the area of gray goods, they are not aware, fully that they are not allowed to sell it. But they also know that they're not getting it through a legitimate supply chain.

So they know that there are question marks about that but they might not know the full extent as they do with a counterfeit product, which I think there they are wholly complicit.

But in any event, they generally know they are not supposed to sell these products but continue to do it anyway because it's a profitable means of running a business.

What kind of penalties are assessed against counterfeiters?

The penalties that can be assessed against counterfeiters have now increased under the [PRO-IP Act](#), which was recently passed. The maximum statutory damage for counterfeit goods has gone up to \$2 million, so they're looking at a big potential liability. You can also get obviously actual damages, which we calculate basically on their profits or profits you'd be getting from your lost sales -- those kind of things.

What are the biggest challenges you think that your clients face right now in the market?

I think the biggest challenge that clients face right now in the market, in terms of counterfeiting and gray goods trademark infringement, is the sudden increase in activity in counterfeits. As I mentioned before, people are accustomed to counterfeits in luxury goods but now it's increased to practically all goods -- from toys, to soap, to toothpaste, to everything. So (clients) are not used to necessarily budgeting for all that and it can cost some money obviously to go after infringers. Sending letters, suing people, getting seizure orders -- all these things can cost money. But it's a balancing act -- it's very important for the brand owner to keep the equity that they have in their brand.

Where do you see the trend right now? Are you seeing an increase particular types of infringement?

I think the trends right now are that there is an increase in infringement across the boards. It's easier for people to do everything with computers, it's easier to print out labels, it's easier to find sources to get products internationally, it's easier to infringe products and infringe brand names. So people really are increasing their illicit activity. In the down economy, also, people will resort to anything to make some money. So it's really increasing just with technology and with the down economy. So it's really a challenge for brand owners.

What do you think can turn that trend around?

I think what may turn it around is the stricter enforcement. One thing in the global community, a lot of countries have increased their ability to go against infringers and also improve the laws. China, which would be an example of that, made significant strides in recent years. So that would be one help.

I think the other help is that people are becoming more aware of the range of counterfeits. There was a time period when people were counterfeiting goods and people and brand owners weren't even aware of the counterfeits in that area.

Can you talk a little bit about how U.S. companies are dealing with protecting these vital assets in overseas markets?

Well, in terms of protecting valuable brands in overseas markets, there are different systems of trademark protection in different countries. So one fundamental is that in the U.S., it's a use-based system -- use is the most important. Using the trademark is necessary to gaining protection. You can file an application to register but you ultimately have to prove that you are using it.

There are some countries where it's a "first to file" trademark application. So you gain rights in those countries that are (operating) on a registration-only basis. So

it's important to protect your major brands in many different countries -- the countries you realistically think that you may someday want to go. It's important to file applications and get registrations in those countries.

It's also important to check Internet sites for activity and register certain domain names to block other people from using them because if you have a well-known brand, if people start to register those domain names, then they feel like they have some entitlement. There are many people like say I thought I was allowed to use it because I got the domain name and the registrar that gave me the domain name, they didn't tell me that I couldn't grab this famous brand.

How can you assert the rights to your domain name interationally in the case of a potential infringement?

One can enforce rights throughout the world through procedures. It's just a question of how strong your case is in a different jurisdiction. In some jurisdictions, while someone has got a variant of your trademark's domain name, some countries are less willing to enforce it than others. But in general, I found that most countries do respect brands and especially famous brands if someone takes aggressive action against an infringer.

What are some other ways to protect your brand equity from infringement?

Another way to protect one's intellectual property is to aggressively register copyrights. Under U.S. law, when someone creates a work, the expression of that idea would be protected by copyright. However, if you don't have a copyright registration, you can't sue someone.

You can always get a registration later and sue someone, but then you're precluded from getting statutory damages and attorney's fees. And in a lot of cases, that's the

big deterrent to go after someone because you might not have the resources to be in a protracted court battle with the defendant but if they're living under the specter of potentially paying your attorney's fees and statutory damages, which are up to \$150,000 per infringement if you find willfulness, that can really be a big deterrent.

Also in some international jurisdictions where it's a "first to file" trademark registration-only type of jurisdiction, where you might have a losing case on a matter, if you have copyright registration you'll have international treaties that will kick in and help you and you may have a copyright claim in those jurisdictions which maybe a clear winner.

So it's important even to register copyrights with things like product labels, prints and fashion, and any other things that are copyrightable.

You mentioned protecting your brand online, what about the areas of fair user or parody?

Trademark law and free speech always intersect at some point, because there are uses that one is allowed to make of a trademark.

For example, nominative fair use. If I'm selling a Chevrolet automobile, I'm obviously allowed to refer to it in an advertisement and in the newspaper, saying I'm selling a Chevrolet automobile because that's the only way to accurately describe it. So you go on to continuing from there to what you can say and certainly you can give a product review of a product and say it's great or it's bad and parody is frequently acceptable.

I think one thing that happens here is sometimes the best way to protect a brand when there is a parody situation is to leave the parody alone -- let it have its five minutes of fame and fade out. A lot of big corporations and brand owners have a

visceral reaction at times and say "we have to stop this and we have to send some kind of cease-and-desist letter right away." And then the cease-and-desist letter is posted on a website or it gets on a blog and people discuss it and really it doesn't help anything. And frequently, those types of satire don't harm a brand and no one believes it's the brand that would be making fun of itself. So it's all taken in good fun. So in many cases the best action is to take no action.

What are some of the issues involved when it comes to the competitive use of your brand for commercial purposes, such as search marketing?

When people bid on keywords for example from Google and pay significant amounts of money to contract to get those keywords that are trademarks that are not owned by them, it's the view of the bulk of the trademark community, and it has been a law, that would be considered illegal. It's creating initial interest confusion as how it's referred to in the trade.

The analogy that people make to that is if you're on highway and you're driving on a highway and you see a sign that says McDonald's and you get off at the exit, instead of McDonald's, it's a Jack's Burgers. You are already off the highway, you see the burgers, you're hungry so it's okay. I know it's not McDonald's burgers but I'm hungry anyway I have gotten off the exit. I am just going to eat these burgers. So that's the analogy that when someone takes someone else's trademark and bids on it for a keyword. Pull up to the site, you know it's not the brand owner once you have pulled it up. But then you're at the site and you look and say, "well these are some interesting products" or "this is an interesting website". So that has been the law.

Of course, with any confusion analysis, you really need to go into survey evidence and figure out what people are really thinking because the trademark laws are "dual protection" system of laws that protect (both) consumers and brand owners.

And it's expensive to do those surveys and analyze the results and challenge the results.

So what companies such as Google are doing right now is saying, "we are letting people bid on these keywords and you want to sue us, you go sue us and try to figure out what you can do and whether you have the resources, whether you can really prove there is consumer confusion or consumer harm or harm to your brand or any other theories of dilution to your brand."

So it becomes a matter of economic resources and there are lot of brand owners who end up just bidding.

What if you're a smaller company and don't have the internal resources to act to protect your brand?

In a smaller business, it probably don't have an in-house legal staff and they are tasked with the challenge of trying to understand, first to recognize whether something is a problem at all to go consult with lawyers and see if there is a problem and then the cost-benefit analysis. And one of the unique challenges in trademarks is that even if something might not be hurting economically, the trademark laws are designed so that there is one brand owner that holds the equity and all the equity flows from there. So if you allow third parties to use your brand you are at risk of it becoming either generic or descriptive for the term at issue, mostly becoming generic or diluted. So if third parties are using it, it loses its inherent ability to indicate a single source of goods or services and therefore brands can be weakened or destroyed.

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