

A Young Lawyer's Perspective From The Forum's Annual Meeting: Trademarks, Counterfeits, and Piracy! Oh, My! — Hot Topics in Global Intellectual Property

by Amanda Alasauskas

On Friday, October 6, 2017, while attending the Annual Meeting for the ABA's Forum on the Entertainment and Sports Industries, I had the privilege of listening to a panel, *Around the World in 80 Minutes*, consisting of renowned intellectual property law experts speaking on hot-topic issues affecting intellectual property law and rights in the United States, South America, the European Union, and China. This panel was comprised of Ann Chaitovitz, IP Attaché for Bolivia, Chile, Colombia, Ecuador & Peru with the United States Patent and Trademark Office; Terry Hart, Vice President of Legal Policy and Copyright Counsel for The Copyright Alliance; Phillip H. Lam, IP Counsel for the Office of the City Attorney Mike Feuer in the City of Los Angeles; Michael Mangelson, IP Attaché for China with the United States Patent and Trademark Office; Steven J. Wadyka Jr., Shareholder at Greenberg Traurig's Washington, D.C. office, and was moderated by Cynthia Sanchez, an Attorney for Warner Music Group. These panelists touched on a wide range of complex topics, including trademarks, copyrights, counterfeiting, and market access issues.

Trademarks and China

As more businesses are looking to expand into a global market, trademark law has become an

increasing concern. One of these global markets is China, and it should come as no surprise that infringement thrives in China, from knock-off purses to bootlegged movies. Trademarks, understandably, are of major importance to any business. In 2016, there were more than 3.6 million trademark applications filed in China, alone.¹

With so many applications being filed in just one year, a major issue regarding trademark law in China is bad faith trademark filings. This has been caused by a rigid adherence to a "first to file" system for protection, where the entity that files first - regardless of whether it is the rightful owner of the trademark - gets protection. Meanwhile in the United States, a person registering for a trademark must show that they have used, or plan to the use, the mark in commerce. This first to file system allows for the wrongful registration of popular marks by people other than the actual owners. These people are known as "trademark squatters," and when international companies wish to expand their business to the Chinese market, they have no choice but to pay large amounts of money to buy their trademark, rebrand, or fight it out in the courts.² Additionally, unlike the United States, China does not require a declaration of good faith when filing a trademark application and there are no sanctions for lawyers who are filing these fraudulent applications. Not even huge companies, such as Apple, are immune, as it lost a years-long legal battle over the trademark for "iPhone" in China, challenging Xinton Tiandi's use of the mark for leather products.³

In 2014, China amended its trademark law, stating that "the application for registration and use of trademark shall comply with the principle of good faith."⁴ However, with this new good faith element, there was only one example of bad faith given. This is a situation of a contract, wherein a distributor of a product for a company applies for that company's trademark. Additionally, squatters will be put on a new blacklist, which will make it difficult for offenders to acquire a trademark.

In other parts of the world, there has been reform

in the realm of trademarks. For instance, in the European Union there has been abolishment of requirement for an applicant to submit a graphical representation of the mark, which came into effect on October 1, 2017. This abolishment will make it easier for non-traditional marks, such as sound, motion, holograms, and multi-media marks, to be registered. Additionally, applicants can now simply submit a sound file through the use of appropriate technology to in their application for a sound mark, instead of submitting the actual musical notation of the mark.

What can brand owners do to avoid this headache? Register your mark in global markets, especially China, early and often, in the Chinese character version, as well as in Latin script.

Counterfeiting and Market Access Issues

Aside from trademark infringement, counterfeiting is another major problem within China. Counterfeit products from China count for approximately 88% of the products seized at the US border, which amounts to approximately \$40 billion lost.⁶ Additionally, approximately 80% of these products are sold on websites such as Alibaba.com.⁷ In 2015, the value of counterfeit goods sold on Alibaba exceeded \$1.7 trillion.⁸ However, Alibaba has taken some responsibility started to address some of the issues of what it has done wrong. Earlier in 2017, it formed the “Alibaba Big Data Anti-Counterfeiting Alliance,” whose mission “is to pool information, data and expertise in intellectual property authentication with the ultimate goal of ‘helping block, screen and take down infringing listings.’”⁹ The coalition comprised of twenty members, including luxury brands such as Louis Vuitton and Swarovski.¹⁰

Market access issues also contribute to the the counterfeiting epidemic in China. For instance, China does not have access to certain services, such as US banks, insurance companies, internet sites (such as Google and YouTube), and movies. Currently, China only accepts thirty-four foreign films per year, with fourteen titles required to be 3D or large-format movies.¹¹ Additionally, China has an annual “Hollywood blackout” of

sorts, wherein it does not release foreign films during specific times of the year, usually during holiday months like the Lunar New Year in the first half of the year.¹² Television is also affected, as China does not allow an episode-by-episode release of television shows. Viewers must wait for a full season to be released, so it can properly be screened, before its release in China.¹³ Even software and video game producers are unable to sell directly into China and must go through a locally registered company in the area for access.¹⁴ While these forms of media are popular, if consumers do not have access they turn to digital piracy.

In the European Union, the Audiovisual Media Services Directive has been up for review, contributing to market access issues. One of the matters open for discussion, is the expansion of the quota for local content for video on demand services, such as Netflix and Amazon. The European Counsel proposes to request an offer of 20% European content in the service providers’ catalogues, while the European Parliament supports a 30% quota.¹⁵ Even the terms of the financial obligation of European content by video on demand providers is up for discussion. The proposal allows Member states to impose financial contributions, such as levies and investment obligations, on providers of video demand services targeting their market. These contributions feed into the film funds’ budget or investment obligations in European productions to ensure that the big players continue to the fostering of European cultural diversity.¹⁶

In June 2016, Chile enabled a food labeling law to fight obesity and unhealthy eating.¹⁷ The Health Ministry ordered stop sign like labels to be placed on food that is high in sugar and fat.¹⁸ The law also bans the sale of products with advertisements that target children.¹⁹ The Health Ministry has been inconsistently, but regularly, using this provision to get trademarked characters and logos off packaging, meaning no more Tony the Tiger on your cereal boxes.²⁰ This also affects sports drinks and sports bars.²¹ Peru has also passed a similar law, but is not applying it the same way. In Peru, the IP Agency is the agency who is applying the law.²²

Colombia is currently in and Out-of-Cycle review with the Office of the United States Trade Representative (“USTR”).²³ According to the Special 301 Report issued by the USTR, “Colombian law enforcement authorities . . . have yet to conduct meaningful and sustained investigations and prosecutions against the operators of significant large pirate websites and mobile applicants based on Colombia” and “has also not been able to reduce the significantly large number of pirated and counterfeit hard goods crossing the border or being sold at Bogota’s San Andresitos markets, on the street, and at other distribution hubs around the country.”²⁴

Further, when consumers buy counterfeit labels, it’s not just the company that they are hurting, it is also people. Many counterfeit goods are produced in sweatshops which often profit and support terrorist groups, sex traffickers, and street gangs, and are notorious for violating child-labor laws and human rights.²⁵

Copyrights and Piracy

Colombia has also been cited in the USTR Special 301 Report for having a large amount of buses playing copyrighted works without a license.²⁶ The Minister of Transportation reportedly announced that buses did not have to pay for public performance licenses for the copyrighted works that they play.²⁷ Of the 45,000 municipality buses and 6,000 tourist buses, less than 1,200 buses are licensed.²⁸ This means that approximately \$27 million is being “saved,” instead of ultimately be going to the performers of these works.

Streaming is the most popular way for people to listen to music. With this popularity has come the emergence of stream ripping services. These are third-party services allow you to go to websites such as YouTube and rip the audio from the video.²⁹ Not only do these services compete with streaming services, they also compete with downloading services, such as iTunes and Amazon. However, civil litigation may be able to be used against these services. In 2016, Universal, Warner Brothers, Sony, and

other major record labels sued the operators of YouTube-mp3.org, a German based company.³⁰ The labels alleged that “tens, or even hundreds, of millions of tracks are illegally copied and distributed by stream ripping services each month” and that YouTube-mp3.org accounted for upwards of 40% of the total unlawful stream-ripping.³¹ In September 2017, a proposed final judgment was reached between the parties indicating “a decision in favor of the labels, with an undisclosed settlement fee and an order to transfer the domain to a party representing the labels.”³²

Kodi Boxes are a current media streaming device that are causing controversy in the copyright world. Kodi Boxes are a “free and open source media player application for playing videos, music, pictures, games, and other content. . . . It basically enables you to stream your content to any device in your home.”³³ Approximately 6% of all US households have a Kodi Box.³⁴ Kodi Boxes are not themselves infringing, but do allow third-party services, which may promote infringing access.³⁵ Similarly, the European Union’s Court of Justice has ruled that the selling of pre-loaded Kodi Boxes is illegal, because these boxes are being configured in a way that promotes piracy.³⁶

Conclusion: Practical Tips

In light of the ongoing issues within intellectual property law, the panelists offered some practical tips in dealing with these problems. The first is to host training for border agents on how to spot counterfeits. Many counterfeits cannot be differentiated from the authentic product to the naked eye. Border agents are a major resource in helping prevent the access of counterfeit goods within the United States.

The second is to combat online piracy by site blocking. A major issue with piracy is that it is decentralized, as it is not one actor, and they are often judgment proof due to operating offshore. Site blocking is getting a judgment against a particular site, or group of sites, and taken that judgment to the intermediary providing access to the site, and having the domain blocked or

taken down. Research out of the Carnegie Mellon University has suggested that this method is effective.³⁷ The study has found that once multiple websites are being blocked, the number of people going to piracy websites is decreasing, while visits to legal ad supported and subscription websites increased.

Undoubtedly, as technologies continue to advance, so will the counterfeit and piracy industries. One thing is for certain, and that is that the intellectual property rights of business owners and performers must continue to be protected in order to allow national and state economies to prosper.

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