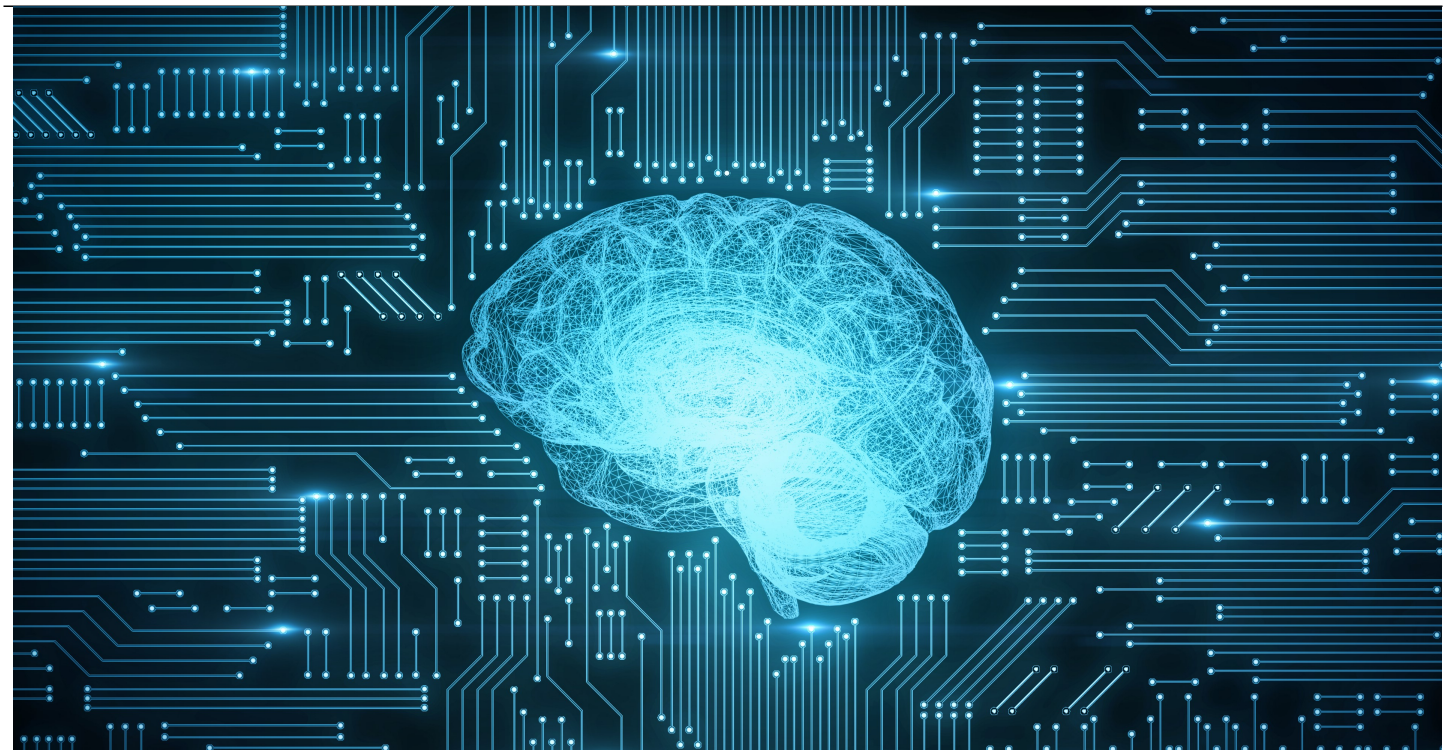


Protecting Your Brand in the Global Ecommerce Jungle

Intellectual Property



CHEAT SHEET

- ***Conduits.*** Generally, a brand owner will not be able to hold ecommerce platforms directly liable for IP infringement because they are earning fees from transactions between buyers and sellers.
- ***Patent protection.*** If you develop a design that is non-functional, seek patent protection before releasing the design publicly and continually seek broader protection going forward.
- ***WIPO.*** Filing an application with the World Intellectual Property Organization (WIPO) can allow you to seek registration in nearly 100 countries.
- ***IP enforcement.*** Most ecommerce sites have a procedure to address complaints by the brand owner related to IP infringement or the sale of unauthentic or stolen merchandise.

Three decades ago, about 95 percent of the average corporation's value consisted of tangible assets: machinery, buildings, and land. Today, that number has plunged to 25 percent. The increasing importance of intangible assets has brought brand protection and the effective enforcement of intellectual property rights to the forefront of the legal landscape. Just think of Apple v. Samsung — the long-running litigation over cell phone and tablet designs. For a business that has a consumer product in the global commerce stream, the thickets of ecommerce sites such as Amazon, eBay, and Alibaba have created a jungle for the brand owner* to navigate. This article serves as your experienced guide to navigate the global ecommerce jungle of brand protection.**

*The “brand owner” is most commonly the entity that owns the IP rights, but it could also include a sales or distribution company that is granted IP rights.

**Due to constraints of time and space, this article does not address other important impacts on brands, such online impersonation, website spoofing, cybersquatting, and more.

The rise of ecommerce

Before the advent of the internet and the launch of ecommerce giant Amazon.com in 1995, almost all retail transactions occurred in “brick and mortar” stores where customers were physically present. Of these, a large portion of the sales were through large, well-known stores that controlled the advertising and sale of the goods. In that business model, brand owners had leverage over the stores through their direct contacts. There was a great disincentive for a store to knowingly take any action that might harm the brand (and thus harm the store), which could result in a lawsuit and loss of the product supply.

Today, in their place, numerous ecommerce businesses have arisen. Most retail stores now have an internet presence through which they attempt to capture consumer purchases. The marketplace in the world is increasingly dominated by the large independent ecommerce giants such as Amazon, eBay, and Alibaba, to name just a few. Unlike the large chain retail stores of old, these ecommerce sites hold themselves out as mere conduits for the transaction between a buyer and a seller (so-called third-party sellers). To further complicate the modern marketplace, even small sellers can now easily offer a product for sale in dozens of countries. In fact, Amazon currently has co-branded Amazon websites (where merchandise is displayed in the native language and local currency) in Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Mexico, Spain, and the United Kingdom.

To better survey the extent of the ecommerce jungle in just one country, note that 79 percent of Americans now shop online, up from just 22 percent in 2000. According to a recent report from the US Department of Commerce, ecommerce sales brought in over US$350 billion in 2015. The report notes that online sales grew over 15 percent in 2016, and accounted for over eight percent of total retail sales for the year. Of this total, Amazon was responsible for almost half — 44 percent — of all ecommerce sales in the United States last year. Notably, there are approximately 110,000 ecommerce websites generating annual revenues on the internet of at least US$500,000, and more than 12 percent of the 100,000 websites with the heaviest traffic are dedicated to ecommerce. If this trend toward a greater share of global ecommerce continues — and most analysts believe it will — a brand owner must be willing to enter the jungle and be equipped to successfully tame it.

For example, Canada Goose, the clothing retailer, recently illustrated how to tackle multiple online counterfeiters, including Amazon sellers, that sold less expensive parkas and winter clothing adorned with maps of the North Pole, the distinctive Canada Goose brand. Now users can be sure they’re ordering the real product by using the company’s distinctive landing page.

Protecting and perfecting your IP rights

Before you can enforce your rights, you need to develop them. There are certain intellectual property rights that can be recognized in a product (patent, trademark, copyright, and trade secret), and some of these rights may be subject to jurisdictional (and thus geographical) limitations. For the maximum possible protection, brand owners should perfect their IP rights in any jurisdiction where their

products are being sold, or might be sold, in the near future. This is especially true where your product is sold by a third-party retailer on an ecommerce site.

Design patents

Typically, when you hear about a patented product, it means that the product embodies a new and useful system and/or method, and that the US Patent and Trademark Office (USPTO) has issued the owner a utility patent covering the novelty of the invention. Utility patents are, of course, critical to protecting your know-how or your “secret sauce” (which you’ve opted to patent and make public, rather than keep hidden as a confidential and proprietary trade secret). But another type of patent that is often overlooked is the design patent.

With a design patent, you can protect your product’s new and nonfunctional shape, color, texture, or ornamentation for up to 15 years. Design patents, however, cannot protect a design that is dictated by functional considerations alone. For example, the Coca-Cola bottle was design patented over 100 years ago; its shape is considered ornamental and not primarily functional, because there are many alternative ways to design a bottle that is different from Coke’s iconic design. On the other hand, a design patent for a football with a tail and fins (which provide stability for the football to be thrown further) cannot form the basis for design patent infringement since the tail and fins are required to perform the desired function of keeping the football steady in the air.

Thus, if the design you seek to patent is essential to the use of the article, the patent may be deemed invalid. In practice, this means that if someone threatens a design patent infringement lawsuit — but you discover that the patentee advertises how that design is critical to the enablement of some function — that fact could open the door for a patent invalidity defense.

Assuming you’ve obtained a design patent — or, better yet, created a patent portfolio — and you come across a product on the internet that appears substantially identical to your claimed design, you may be able to obtain injunctive relief, damages, fees, and costs, as well as lost profits. A prominent example of the effective use of design patents is the Apple v. Samsung legal saga, where Apple successfully enforced its design patents covering iPhone designs against Samsung’s Galaxy phone designs. Key to Apple’s success in this battle was its extensive design patent portfolio, which Apple began to build prior to the launch of the iPhone and has continued to expand its scope over the years.

The takeaway: If one has developed a novel design for a product that is non-functional, the inventor should seek patent protection before releasing the design publicly, and continually seek broader protection. Apple, critically, did this in 2007, before it unveiled the iPhone.

Trade dress

Trade dress, similar to a design patent, protects the look and feel of a product. However, it is broader than a design patent, because trade dress protects the total image or overall appearance of a product, including size, shape, color, texture, and graphics, and not just the design as depicted in a patent. Trade dress protection varies widely, and can extend to protect the shape of a product, the packaging of a product, the interior of a restaurant, the cover of a magazine, the look of a line of greeting cards, the shape of a car, etc. But as is the case with design patents, trade dress does not protect functionality, and thus cannot be used to protect a feature that is essential to the use or purpose of an article.

While trade dress protection can be applied more broadly and can exist in perpetuity (as long as it is used in commerce), it may be more difficult to enforce. Courts require trade dress to have acquired secondary meaning — that is, proof that consumers associate the design with the source of the product, as in the shape of the Coca-Cola bottle. Courts will also consider how other factors in the marketplace may dispel consumer confusion when determining infringement (e.g., the way the product is displayed in the marketplace).

Despite the additional hurdles you may face in enforcing your trade dress right, it may, at times, be your only option if:

1. You did not obtain a design patent before public disclosure, since trade dress rights vest under common law with commercial use and formal registration is not required;
2. If the infringing product does not fall within the boundaries of your design patent, but is confusingly similar to consumers; or
3. If the consumer confusion stems from some visual aspect of the product, as opposed to a distinctive word, which would be protected as a trademark.

Indeed, trade dress is a broad weapon in a brand owner's arsenal that can be deployed to protect the look and feel of the brand without any type of registration — as long as there is proof of continuous commercial use.

Trademarks

If trade dress can protect the look and feel of a brand without any registration, trademark law is another mechanism that allows for the protection of the brand name and logo without the need for any type of registration. Trademark law protects any word, phrase, slogan, symbol, or design — or any combination thereof. And, similar to trade dress protection, trademark rights vest with commercial use under common law (without the need for registration with the USPTO), and it prevents a junior user from using a confusingly similar mark.

What's a confusingly similar mark for purposes of determining infringement? The crux of the inquiry is whether a reasonable consumer may believe that product A and product B are from the same source. Usually, this means that the products are somewhat related (such that a consumer may think that the same producer made both products) and that the marks are similar. Of course, the strength of the trademark also matters, since the more distinctive a mark is (e.g., a "fanciful," made-up word, such as Pepsi), the more likely it would be for consumers to associate the product with the mark, as opposed to a mark that merely describes the product (e.g., "Cold and Creamy" for ice cream).

Thus, if a brand owner has been using a trademark to distinguish its products, it may be able to bring an infringement lawsuit against anyone who later tries to use a confusingly similar mark in the geographic areas where the mark has been used without interruption — even without a trademark that is registered with the USPTO.

Brand protection in the world of ecommerce

Now that we've covered the basic distinctions between the IP rights that are best suited for brand protection, let's talk about ways to maximize and use those protections.

Be proactive: Register, register, register

Only the USPTO can issue patents in the United States, so “registration” of design patents is necessarily required. While you cannot use your USPTO registration as a basis for a lawsuit in other countries, you can use it to seek registration in nearly 100 countries (including the European Union, Australia, and China) by filing a single application with the World Intellectual Property Organization (WIPO). But if trademark and trade dress rights can vest without registration, why bother?

First, registering with the USPTO brings benefits within the United States that can help strengthen brand protection. Most importantly, trademark registration with the USPTO will broaden your reach. Common law trademark rights are limited to the geographic areas of use, but federal registration grants a presumption of the exclusive right to use your mark throughout the United States.

In addition to laying the foundation for lawsuits against infringers around the world, USPTO registration enables brand owners to record their registered trademark with the US Customs and Border Protection (CBP). The CBP can help guard against the infringement of federally registered trademarks, patents, and copyrights by intercepting counterfeit and pirated goods at the border.

Another benefit of USPTO registration is that it allows brand owners to work hand-in-hand with ecommerce giants, such as Amazon, to combat brand violations as well. For example, the Amazon Brand Registry — which requires a valid federal trademark registration on the Principal Register — attempts to address complaints by the brand owner related to IP infringement or the sale of unauthentic or stolen merchandise.

Patent portfolio development and trademark registration (as well as subsequent registrations with the CBP, WIPO, Amazon, eBay, etc.), however, are just starting points for brand protection in the world of ecommerce. The next step is enforcement.

Ecommerce platforms can help enforce your IP

Most ecommerce sites have a procedure to address complaints by the brand owner related to IP infringement or the sale of unauthentic or stolen merchandise. For example, the largest player, Amazon, established the Brand Registry Program (and Alibaba has a similar program, called the IP Protection Platform), whereby a brand owner that has enrolled and been approved may report to Amazon any listing by a seller that constitutes IP infringement, or is the sale of counterfeit, inauthentic, or stolen merchandise. Amazon will review the report and either accept it (and remove the reported listing by the specific seller), deny the report, or indicate more detailed information is required.

Note, however, that Amazon will not support the brand owner and enforce a claim based merely on a contractual provision between the brand owner and the seller (for example, prohibiting any ecommerce sale). In fact, Amazon states on its website:

> Amazon respects a manufacturer’s right to enter into exclusive distribution agreements for its products. However, violations of such agreements do not constitute intellectual property rights infringement. As the enforcement of these agreements is a matter between the manufacturer and the retailers, it would not be appropriate for Amazon to assist in enforcement activities.

In addition, ecommerce platforms may fail to assist brand owners effectively to combat brand violations for a number of other reasons. It is important to keep in mind that ecommerce sites earn fees from the sale of each product, so they may be more focused on the customer experience rather

than the brand owner's IP rights.

Thoughts on initiating lawsuits and enforcing judgments

If the ecommerce platform cannot resolve the brand violation, you should consider contacting the seller directly by serving a cease-and-desist letter that specifies your allegations of infringement. Sellers that are concerned about their reputation may give the letter serious consideration and agree to take down the product listing to avoid an expensive lawsuit or reputational harm. In some situations, some smaller sellers might not be experienced or may be misinformed about the nuances of IP law, so the letter may serve to educate them. Even if the seller does not respond or denies infringement, the letter may serve as the basis to allege willful or knowing infringement in a later lawsuit.

Before threatening a lawsuit for infringement, however, the brand owner must consider the "first sale doctrine," which generally shields from liability for infringement those who resell genuine products (since the first authorized sale "exhausts" the IP owner's rights in that product). This is a commonly raised defense by infringers, but you can get around it in trademark cases if the goods are altered so as to be materially different (e.g., if there was unauthorized repackaging, reconstruction, or other modification to the goods). In addition, the first sale doctrine may not apply if the resale falls outside of the trademark owner's established quality control measures, or if the trademark is used to give the impression that the reseller is a favored or authorized dealer when, in fact, it is not.

If there is great harm to your brand, or a great loss of sales, you may need to follow through on your letter and file a civil action to seek an immediate injunction. In many cases, you can obtain lost profits, court costs, attorney's fees, and sometimes punitive damages.

As a general matter, however, a brand owner will not be able to hold ecommerce platforms like Amazon, eBay, and Alibaba directly liable for IP infringement. These companies have taken the position that they cannot be held directly liable for IP infringement because they are mere "conduits" (earning fees from sales transactions between buyers and sellers) — and courts have generally agreed.9 This may prove particularly problematic if you cannot verify the identities of the unauthorized sellers or if the same seller resurfaces under various different names after being taken down.

Even if you cannot determine the true identities of sellers on an ecommerce platform, however, all hope is not lost: You may file a civil action for infringement against individuals and entities identified by their respective seller IDs. With proof of infringement via verified purchases, a court may grant the brand owner's request for injunctive relief and damages. In order to give effect to such judgments, courts may (at the brand owner's request), order that ecommerce platforms cease facilitating transactions for the identified sellers and divert all funds to a holding account in trust of the court.

In these ways, a brand owner can — and should — actively enforce its IP rights against unauthorized sellers on ecommerce platforms. Delays in the enforcement of your IP rights may result in a recovery of lesser damages, and in some cases, the total preclusion of your case.

Conclusion

Whether planned or unplanned, your product is, or soon will be, sold globally on a number of ecommerce sites. While the online commerce environment may appear to be a jungle and present

many challenges, savvy in-house lawyers will help protect a company's intellectual property while exploring new markets.

Further Reading

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C. Gerbig, "Ecommerce Done Right: Five Keys to a Successful Online Business," Forbes (Oct. 3, 2017).

Milo & Gabby LLC v. Amazon.com, Inc., 693 F. Appx. 879, 881-882 (Fed. Cir. 2017) (affirming the trial court's dismissal of various IP infringement claims filed by the brand owner against Amazon, stating: "Amazon is not the seller of the alleged infringing products" because "third-party sellers retain full title to and ownership of the inventory sold by the third party").

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