
iPHILLIPS NIZER

Where intellectual property and business law intersect with industry.

Summer 2018



Welcome to the inaugural issue of Phillips Nizer’s intellectual property newsletter. Each quarter, members of our Intellectual Property Law Practice will share articles related to copyrights, trademarks, patents and trade secrets. Our intent is to inform and educate—providing a line of understanding regarding the management of intellectual property.

Monica P. McCabe, Chair, Intellectual Property Law Practice

In This Issue:

| | |
|--|--------|
| Amazon Takes on Trademark Infringement and Counterfeiting | Page 2 |
| Consignment: A Great Sales Idea Unless It Damages Your Brand | Page 3 |
| Retailers Beware: Lawsuits Nationwide Challenge Website ADA Compliance | Page 4 |
| Building an IP Border Wall: U.S. Customs at Work | Page 6 |
| Contact Us | Page 7 |

Disclaimer: This information is provided as a public service to highlight matters of current interest and does not imply an attorney-client relationship. It is not intended to constitute a full review of any subject matter, nor is it a substitute for obtaining specific legal advice from competent, independent counsel.

Editorial contributions to this edition made by **Thomas G. Jackson, Courtney L. Birnbaum** and **Rachel M. Bandli**.

Amazon Takes on Trademark Infringement and Counterfeiting

Counterfeiting problems and trademark infringement are endemic in the retail sector, and the proliferation of large e-commerce sites like Amazon and eBay has only exacerbated this problem. As discussed in a [recent article published by Business Insider](#), products from cosmetics to mugs are vulnerable to counterfeiting. Not only do counterfeit products harm an authentic brand's reputation and potentially depress its value, but they also may be hazardous to its customers. In response to increasing concerns about these problems, Amazon is now offering tools that brand owners can use to protect themselves, their products, and their customers.

Amazon Brand Registry

The [Amazon Brand Registry](#) provides trademark owners with several tools for protecting and controlling how their brands are used on Amazon.com. In order to enroll a brand in the Registry, an owner must have a brand name that is active and a federally registered trademark. The trademark must be in the form of a text-based mark or an image-based mark with words, letters, or numbers, such as:

Types of Trademarks for Amazon Brand Registry

A text-based mark

AMAZON

An image-based mark with words, letters or numbers

amazon

When enrolling, a brand owner must provide Amazon with images of the brand's logo, a list of the brand's product categories, and a list of countries where the brand's products are manufactured and/or distributed. Amazon will then verify the submitted information with the brand's trademark correspondent, which is usually the brand's trademark lawyer.

Once a brand is verified and enrolled, the brand owner will be able to use the Brand Registry tools to monitor Amazon for infringing or counterfeit products. For example, the brand owner may use the image search tool to find sellers who are making unauthorized use of the brand's logo or images of products. A brand owner can also provide information to Amazon that enables Amazon to flag sellers who are shipping from countries where the brand does not sell or manufacture products, as well as product listings that duplicate the brand's own product listings.

Transparency

A relatively recent addition to Amazon's brand protection menu is its [Transparency program](#). Amazon describes Transparency as an "item-level tracing service that helps you protect your brand and customers" from counterfeit products. Transparency utilizes 2D barcodes to ensure that all of a brand owner's products sold by Amazon are authentic. [CNBC reported](#) earlier this year that early users of Transparency include Bang & Olufsen, Victorinox, and 3M; although the program comes too late for some sellers, such as Wee Urban, which has already been severely damaged by counterfeits on Amazon. In order to use Transparency, a brand owner must first enroll its products in the program.

To do this, the brand owner must first verify that it owns the brand and that its products have Global Trade Item Numbers (GTIN), such as a standard UPC barcode. A brand owner must also be able to add the 2D Transparency barcodes to each unit it manufactures.

Once a brand owner has enrolled its products, the brand owner must apply a unique Transparency code to each unit of a product. Only one unit, such as a single shirt, will have a given code. If a product enrolled in the program is delivered to Amazon without the Transparency code, Amazon will not accept it for sale. When a customer buys a product that is enrolled in Transparency, whether from Amazon itself or from a third-party seller, the customer will be able to use the Transparency app, available on Google Play or the Apple App Store, to scan the Transparency code and confirm that the product is authentic.

Use Instructions for Transparency App

How do I use it?



Look for the Transparency code on your product



Scan the code to learn more about the item's origins, authenticity and more

Conclusion

While these Amazon programs may be beneficial for brand owners, they are not a magic fix for the problems of trademark infringement and counterfeiting. Brand owners will still have to monitor Amazon regularly for infringing products and images;

and the need to apply a unique code to each unit of a given product will surely increase manufacturing costs. But with the potentially significant harm to brands from counterfeit products, these programs warrant a look from any brand owner whose products are sold on Amazon.

Consignment: A Great Sales Idea Unless It Damages Your Brand

It is important to business owners to identify means by which they can protect their brands, particularly when entering into and performing agreements with third parties. A proactive approach can minimize future issues and disputes. Identifying protectable intellectual property, securing the same and monitoring and adjusting brand strategies are of utmost importance.

Consignment is a typical business model used by fashion and jewelry designers – and others - to offer and sell their merchandise. The goods remain the property of the designer (the consignor), but they are held by a retailer (the consignee). Critical to the consignment arrangement is the perfection of consignment security interest by the consignor so that the retailer's creditors and lenders cannot obtain rights in the merchandise. It is equally critical to require the retailer to market and sell the merchandise properly to prevent devaluation of the brand, but that is a topic for another article.

Before entering into a consignment arrangement, it is important for a consignor (1) to determine what intellectual property is inherent in the merchandise and what exclusive rights or claims he or she may have in that intellectual property, (2) to put the consignee on notice of those rights, and (3) protect the intellectual property by placing proper designations of rights (i.e. ® or ™ for

trademarks and, for copyrights, ©, "Copyright" or "Copr.", together with the year of first publication and identification of the owner).

Generally, intellectual property in a brand will consist of one or more trademarks, and intellectual property in goods will consist of copyrights of design, if such design elements are copyrightable. However, there can also be trademark elements in merchandise. Trademarks and copyright notices should be used consistently and properly on all materials and merchandise, in all forms of content, and, as referenced above, with the proper designations claiming rights. Failure to protect and use trademarks and copyrights correctly and consistently is likely to result in loss of proprietary intellectual property rights.

The consignee must be apprised of what rights, if any, it will have to use the intellectual property of the owner. In most circumstances, these should be limited strictly to marketing and sale of the merchandise in the exact form, with the exact branding and markings provided by the consignor, and only while the consignment arrangement remains in effect. Rights and restrictions should be set forth in a signed consignment agreement.

In addition, often overlooked by consignors is treatment of the materials bearing the intellectual property when the consignment for particular merchandise comes to an end. Parties often make arrangements for the return of the consigned goods, but not for materials that contain or are comprised of intellectual property, such as packaging, signage, displays and inserts. Consignors should take care to require the removal of all such materials from public forums and its prompt return to the consignor.

Plans and relationships change, so it is best practice to review strategies, assets and arrangements proactively on a regular basis rather than risk discovering lack of adequate protection or documentation at an inopportune juncture which will cost both time and money. A well-managed business will have greater opportunities to grow.

Retailers Beware: Lawsuits Nationwide Challenge Website ADA Compliance

The number of lawsuits brought against businesses under Title III of the Americans with Disabilities Act (ADA) based on claims that their websites do not provide equal access to blind and visually impaired individuals has increased dramatically over the past several years. Virtually all of these cases are brought against retailers. Last year, over 800 lawsuits were filed in the federal courts, as compared with approximately 250 in 2016. More than 300 of the cases filed last year were brought in New York alone. Many of these lawsuits are brought by the same plaintiffs or the same law firms. The proliferation of litigation against designer apparel and luxury goods manufacturers and distributors having retail stores is particularly noteworthy.

The ADA does not specifically address website accessibility. The courts are divided on the question of whether the statute is limited to physical spaces. While some courts have concluded that websites are places of public accommodation and thus subject to Title III, others have determined that places of public accommodation must be physical places and thus require that there be a sufficient connection between the goods and services offered on a website and a physical place covered by the statute. The federal

courts in New York treat websites as places of public accommodation regardless of their connection with brick and mortar stores or whether any goods or services are sold on the website.

In addition to New York, federal courts in Massachusetts, Vermont, Virginia and Illinois have concluded that Title III is not limited to physical spaces. Other federal courts, however, including those in California, Florida, Pennsylvania and Ohio, apply the rule that only websites with a sufficient connection to brick-and-mortar stores are covered.

The cases brought under the ADA seek injunctive relief requiring the websites to be redesigned and reconfigured in a way to make the content available to visually impaired individuals using screen reader software so that they have a full and equal opportunity to enjoy the services or goods provided on the website, together with an award of attorneys' fees. Monetary damages are not available under the federal statute.

The federal claims may be joined with claims under state and local disability laws such as the New York State Human Rights Law, the New York State Civil Rights Law and the New York City Human Rights Law and, in cases filed in the California courts, under California's Unruh Civil Rights Act. Under the California statute, a plaintiff may recover up to three times the amount of his or her actual damages, but in no event less than \$4,000 in statutory damages (regardless of whether actual damages can be proved), in addition to attorneys' fees.

Because in large part courts have not been disposed to granting motions to dismiss these lawsuits, most of the cases have been settled at the outset. To date only one case has gone

to trial. That case, which ended badly for the defendant, a retail grocery store chain, is currently on appeal. Unfortunately for the website owners, the settlement of one case will not prevent another plaintiff from making the same claim against the same owner.

There are no current government regulations specifying how to make a website accessible to visually impaired individuals, or to others with disabilities. The courts that have considered this question have applied the WCAG 2.0 Level AA guidelines developed by the World Wide Web Consortium Web Accessibility Initiative as guidance for the visual design, architecture and navigability of websites.

In June, a new set of guidelines, WCAG 2.1, was published in final form, expanding on the technical standards and success criteria in WCAG 2.0. In addition to the accommodations for blind and low vision individuals contained in the current guidelines, WCAG 2.1 addresses the accessibility of websites on mobile devices and includes provisions for cognitive and other disabilities. While at some point WCAG 2.1 may become the standard that will be applied by the courts and in settlements of website accessibility cases, there are no predictions as to when that may occur.

As indicated above, partial remediation or a private settlement in one case will not be a defense in a case that is brought subsequently. The best course to follow is to assess the accessibility of a website carefully, usually with the assistance of a qualified remediation consultant who can analyze the website for compliance with the WCAG guidelines and recommend changes, and then to remediate the accessibility issues before a

lawsuit is brought or, failing that, promptly thereafter.

¹ Additional information on the WCAG 2.0 guidelines is available at <http://www.w3.org/TR/WCAG20/>.

² The new guidelines are available at <https://www.w3.org/TR/WCAG21/>.

Building an IP Border Wall: U.S. Customs at Work

U.S. Customs and Border Protection (“CBP”) is usually thought of in the context of going through the Customs line at the airport and filing out a declaration form. But for companies with valuable intellectual property, CBP can do much more. If a trademark or copyright owner believes that its intellectual property is being violated by infringing or counterfeit imports, it can enlist CBP to help prevent such imports from entering the country. CBP is authorized by statute to exclude, detain, and/or seize imported goods that infringe federally registered and recorded trademarks and copyrights as well as goods that violate an exclusion order from the United States International Trade Commission. In 2017 alone, CBP seized infringing goods with an estimated retail price of over \$1.2 billion.

CBP provides an online application service called “Intellectual Property Rights e-Recordation” (“IPRR”). Intellectual property owners can use IPRR to record their trademarks and copyrights with CBP. An example application is available [here](#). CBP charges \$190 for each copyrighted work recorded and \$190 for each International Class of goods covered by the registered trademark which is recorded. Owners must provide CBP with trademark and copyright registration numbers (temporary recordation of unregistered copyrights is available while the application for registration is pending

with the Copyright Office), details about where genuine copies or the protected items are manufactured, and any other relevant production or distribution information. Owners may also provide CBP with images of its authentic products. CBP can then use this information to identify infringing materials at the border and prevent their importation.

It can be extremely difficult to differentiate some counterfeit goods from the genuine products. As a supplement to recordation, a rights owner can create a “product identification guide” to help CBP determine whether an import is or is not genuine. The guide should contain details about the physical characteristics of the product, comparison photographs of genuine and counterfeit versions, information about where the genuine products are manufactured and distributed as well as information about the trademark or copyright registrations and recordations. Another way a rights owner can improve CBP’s knowledge of protected goods is to provide CBP personnel with product identification training at key ports of entry.

If an owner suspects a specific violation of its intellectual property rights, it may report the violation through the CBP [e-Allegations system](#). The CBP will direct the allegations to the relevant office or port of entry and may refer the allegations for criminal investigation.

For additional information, please contact us or visit the [CBP’s intellectual property rights website](#).

Intellectual Property Law Practice

Monica P. McCabe, Chair
+1 212 841 0713
monicam@phillipsnizer.com

Candace R. Arrington, Law Clerk
+1 212 841 0730
carrington@phillipsnizer.com

Rachel M. Bandli, Associate
+1 212 841 0544
rbandli@phillipsnizer.com

Alan Behr, Partner
+1 212 841 0552
abehr@phillipsnizer.com

Courtney L. Birnbaum, Counsel
+1 212 841 0519
cbirnbaum@phillipsnizer.com

Elizabeth A. Adinolfi, Partner
+1 212 841 0563
eadinolfi@phillipsnizer.com

George R. Fearon, Partner
+1 212 841 0571
gfearon@phillipsnizer.com

Barry H. Fishkin, Senior Counsel
+1 212 841 0545
bfishkin@phillipsnizer.com

Helene M. Freeman, Partner
+1 212 841 0547
hfreeman@phillipsnizer.com

Thomas G. Jackson, Partner
+1 212 841 0765
tjackson@phillipsnizer.com

Donald L. Kreindler, Partner
+1 212 841 0564
dkreindler@phillipsnizer.com

Marc A. Landis, Partner
+1 212 841 0705
mlandis@phillipsnizer.com

Jonathan R. Tillem, Partner
+1 212 841 0506
jtillem@phillipsnizer.com

Andrew J. Tunick, Partner
+1 212 841 0557
atunick@phillipsnizer.com

Sean W. Vallancourt, Associate
+1 212 841 0540
svallancourt@phillipsnizer.com

Lauren J. Wachtler, Partner
+1 212 841 0511
lwachtler@phillipsnizer.com