

Protecting Your Intellectual Property in the U.S. from New Forms of Online Infringement and Attacks

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By Andrew Berger © 2012

Infringement of intellectual property is growing globally. I begin by discussing some reasons for this growth of infringement and what our government and copyright holders are doing to combat it. I then focus on some self help steps that you as brand owners and advisors can take to deal with brand attacks and Internet infringement and end with some advice about how to deal with cybersquatting.

Reasons for the Growth of Infringement Globally SLIDE

There are several reasons for the growth of infringement. The first is that an increasing segment of the population, especially those 18-30, believes that what's available in the digital marketplace is free for the taking. In other words, they believe that free music and movies are their natural-born rights.

One U.S. study in 2011 estimated that nearly 24% of all global Internet traffic was infringing. And infringers at least in Europe have gained some political power. The International Pirate Party advocates that copyrighted works should be freely shared online. That Party now controls a number of seats in the German Parliament and Sweden has recently recognized the file sharing culture that party advocates as an official religion.

A second reason for the rise of infringement is the seeming inability of a large number of countries to effectively combat this problem. Every year the United States Trade Representative details the adequacy of our trading partners' protection of intellectual property. In 2011 the USTR placed 42 countries on what it refers to as the Priority Watch List of countries where significant infringement and counterfeiting is taking place. America's two largest trading partners,

Canada and China, remain on the Priority Watch List from the year before. Also included were Russia and even Israel.

A third reason for the spread of infringement is the ease with which it can be achieved and the seeming anonymity of those who engage in it. Infringers can copy and paste images and text with the click of a mouse out of site of others. Rogue or pirate sites targeted in one country can move to new servers in a more hospitable country in a day or so. Infringers and counterfeiters can just as easily switch domains. For instance, if a U.S. prosecutor obtains a court order seizing a .com domain, the infringer can move to an .org domain.

Efforts by Copyright Holders to Combat Infringement SLIDE

As a result, the volume of pirated movies, television shows and music on the Internet is growing and faster broadband networks and more powerful computers speed that growth.

What's being done here to combat this problem? Unfortunately not enough.

The Motion Picture and Recording Industry Associations is fighting a losing battle. Beginning in 2005 they accused more than 18,000 persons in this country, including many college students, of uploading and downloading music without authorization. In response many of those persons made small payments to the recording companies but this legal offensive has done little to stem the tide of illegally downloaded music other than create a public-relations problems for the industry.

One the criminal side the Justice Department last month started one of the largest criminal copyright cases ever against Megaupload and its founder Kim Dotcom. Megaupload is a public content storage site or cyberlocker that allows users to upload files and share them with others. The Justice Department accused it of running an international criminal enterprise responsible for worldwide online piracy of copyrighted works generating millions both in criminal proceeds and harm to copyright owners.

In a related development in 2011, the House and Senate proposed bills to cut off the oxygen for foreign pirate sites by aiming at American search engines like Google and Yahoo, payment processors like PayPal and ad servers that allow the pirates to function. The House's bill was called the Stop Online Piracy Act, or SOPA; and the Senate bill the Protect Intellectual Property Act, or PIPA.

The biggest business lobbies, including the Motion Picture Association of America and the United States Chamber of Commerce supported the bills. But in late January, in response to this firestorm of consumer protests, including a day-long blackout of Wikipedia, the House and the Senate withdrew the bills for further study effectively killing them for this legislative year.

Self-Help Steps to Take to Deal with Brand Attacks and SLIDE Infringement

So with enforcement efforts difficult, expensive and problematic, what self-help steps should brand owners take to combat new forms of online infringement and brand attacks? Let me give you some suggestions.

The Impossibility of Controlling the Message

First, brand owners must accept the reality that it is impossible to control the online message. In the pre-Internet days a brand had much more control. It carefully crafted its message and used the few channels of communication that were available to disseminate it. If a customer had a problem with the brand, there was no way the customer could broadcast the problem to the world. The customer might write to the local better business bureau or chamber of commerce or complain to its local paper but that was about it. In other words, echoing an old Burger King commercial, most brands had it "their way."

But now we are all publishers. Anyone with access to the Internet can reach a global audience with a two-sentence tweet. That means it is now impossible to control the message. Once the viral attack starts it gets larger. More people embrace it; more people talk about it; in other words, once the genie is out of the bottle it's gone.

Who is now in charge? A faceless mass of others. And they can become your enemy really quickly and spread the word in milliseconds. If you try attacking the person who started the attack, the response is often worse.

So what should you do if you are faced either with an online brand attack damning the quality of the goods or services you provide or if you are accused online of infringing another's work?

The Three C's

You want to follow the three C's: Confirm, confess and correct

You need to first investigate to see whether the attack or the accusation of infringement has merit. If it does, you want to confess and at the same time tell the world that you have corrected the problem.

Here is what you may want to say:

One of customers just posted a message complaining about x. Although we would have preferred that the customer talk with us first about the problem we have investigated and made some changes that will benefit all.

Or you could say someone just posted a message video; although we're not sure it was aimed at us, we loved it and it inspired us to modify our policies.

And here is how you should respond to a legitimate complaint about online infringement.

One of our visitors just advised us that we are displaying a work that the visitor believes is protected by copyright. We respect the intellectual property rights of others and have taken down that copyrighted work.

Why the Three C's?

Why the three C's? The Internet does not let you hide from an attack. So you best try to turn it into a positive and embrace it. You want your customers to be passionate about your brand because they will only support brands they feel good about.

Further, your customers are often your best spokesmen and are trusted sometimes even more than your brand image and your brand marketing message. So if you are able to turn your detractors into your friends with respect and honesty, they may not only help bolster your bottom line but protect you online next time you are attacked.

Examples of Inappropriate Responses to Online Attacks

Let me now give you two examples of inappropriate responses to viral attacks.

The Cooks Source Response SLIDE

A magazine called Cooks Source published a story about the evolution of the apple pie written by Monica Gaudio. The problem Cooks Source simply copied the story from another website without Ms. Gaudio knowledge or consent.

When she found out about it, she asked Cooks Source for an apology and to make a small donation to the Columbia Journalism School.

The Cooks Source editor responded:

But honestly Monica [referring to Ms. Gaudio] the web is considered public domain and you should be happy we just didn't lift your whole article and put someone else's name on it"

And, "We put some time into rewrites, you should compensate me"

Cooks Source's response sparked a collective fury on blogging and social media sites or what some called "nerd rage."

Facebook removed the Cooks Source site because it received so many hits. Advertisers were urged to withdraw support for the magazine. The messages that bloggers posted can't be reprinted here.

The three Cs could have diffused this situation. Instead, Cooks Source is now out of existence.

The Nestlé Response to Greenpeace same SLIDE

Here's another example of an inappropriate response to a brand attack. The environmental group Greenpeace recently attacked Nestlé for buying cheap palm oil (a key ingredient of their Kit-Kat bars) from companies that destroy the rainforests. In response Nestlé got feisty on Facebook. In response to one consumer post, Nestlé pronounced:

"Thanks for the lesson in manners. Consider yourself embraced. But it's our page, we set the rules; it was ever thus."

When the consumer raised a concern about freedom of speech, Nestlé replied:

You have freedom of speech. Here there are some rules we set. As in almost any other forum, it's about keeping things clear.

The attacker responded:

Your page, your rules true and you just lost a customer. Won the battle and lost the war. Happy?

When news of this and similar interchanges spread virally, Nestlé went into damage-control posting Facebook updates defending its use of palm oil. When that didn't quell the furor Nestlé reduced its dependence on palm oil and partnered with a non profit that helps businesses develop sustainable forest harvesting practices.

The lesson here is that, when faced with a justified brand attack, you can't control the conversation on social media and your efforts to do so will most likely end in failure.

Responding to Online Copyright or Trademark Infringement

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Up to this point we have been talking about how you should respond if you are the subject of a brand attack or are accused of infringement. Now let's shift gears and talk about how you should respond if someone else is infringing or counterfeiting your intellectual property.

Criteria to Consider Before Responding

Here are some criteria to keep in mind when making a decision about how you will respond to infringement.

1. If you are faced with a counterfeit situation, are consumers being damaged by the conduct in question? Babies in the U.S. were at risk a few years ago when counterfeiters imported toys made in China containing lead. In that situation, the U.S. toy industry had to respond.
2. Is your marketing message being eroded by the infringing conduct? In other words, is consumer confidence in your brand being damaged by the knock-offs?
3. Is the infringing conduct costing you money?
4. How valuable is your asset that is the target of the infringement; is the asset or product a key to your success or one that you intend to discontinue?
5. Are there equitable considerations that favor the infringer; for example, is the infringer raising an issue of public importance?
6. Are we dealing with a serial, well-financed infringer or one who sees the attack as a passing fancy?
7. Do you need to send out a warning shot to keep others away?
8. People in glass houses should not throw stones; can the same attack you are defending against be made against you?
9. What's your budget; trademark and copyright litigation is expensive.
10. Does the infringer have a fair use defense? The defense arises when someone uses a copyrighted work or one protected by trademark for a socially redeeming purpose such as for comment, criticism, news reporting or scholarship.

But even if an advocacy site is using your trademark in a non-commercial context you may want the non-commercial user to include in small type on the same page as the logo a message indicating that this logo is your registered trademark and is being used with your permission.

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Some final thoughts: the Internet puts you in a fish bowl. Whatever response you take will be broadcast by others. Further, overzealous enforcement can mean loss of goodwill and damage to the reputation and image of the IP owner.

But at the same time trademark owners have to police their marks or their rights to their marks may erode. So you can't simply sit on your rights.

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Dealing with Fan Sites

Let's now talk about fan sites; how should brand owners deal with them.

Here's an example of an enlightened approach to fan sites.

Maybe about 5-6 years ago a couple of fellows really liked Coke. They started a Coke fan site on Facebook that took off gathering more than 3 million users in a short time. Coke found out about it. Instead of taking any kind of drastic measures, they invited these two fellows to Atlanta for a couple of days. They welcomed them because they wanted to find out how these guys were able to attract the kind of fan support they had generated. And Coke said to these fellows "continue, you are doing a great job." Here's some product; here's some special invitations; here are certain things we don't give to anybody because we want you to continue to do what you are doing. And as a result of course these impassioned Coke fans are even more so and everyone benefits. This is a good example of how happy customers can be your biggest advocates on social media.

You want to monitor fan sites especially if they start selling your product at prices below what you want to charge. But in most cases

you want fans sites to grow and prosper. Police with a carrot not a stick.

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Low Cost and Creative Ways to Deal with Infringement

Let's talk about some low-cost and creative ways to deal with brand infringement?

1. Set up a Victory Page;
2. Use an offending site's terms of service; it will not cost you anything;
3. Pay infringers to migrate elsewhere;
4. Enter into a co-existence agreement;
5. Gradual name change;
6. Maybe even license your mark-after you develop some trust with the infringer; and
7. Be proactive: register domain names for prospective products before you launch them.

A recent example of a company that did not register proactively is Netflix. Last summer Netflix announced it had formed Qwikster to handle its DVD-by-mail service. But Netflix failed to first obtain the Qwikster handle on Twitter. It was instead controlled by a semi-coherent high-schooler whose follower count on Twitter and his desire for payment for his handle jumped enormously as soon as Netflix announced its Qwikster service. Netflix has now abandoned Qwikster but its social media smarts suffered when it sought to start this service without first ensuring that the name was available on Twitter.

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Monitoring the Internet for Infringement

With new online sites born nearly every day, how do you monitor them all? It's not easy. Here are some suggestions.

1. Get to know the sites where infringement is likely to occur
2. Establish relationships with the in house people at these sites
3. Cultivate relationships with the government and the media, especially at the local levels

4. Set up alerts.
5. Decide who in your client's company will respond and what your objectives are: take a holistic approach.
6. Have standard responses prepared.

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Guidance on Selecting a Domain Name

Next here is some guidance when choosing a domain name.

First find out if the name is available by going to the sites that will answer that question in an instant, including knowem.com or namechk.com. To check whether your trademark is being used by others on social media sites go to tm.biz.

But even if the name is available you want to be sure your name does not include any more of the trademark of another's company than necessary to identify the nature of your business. For instance if the name Lexus.com were available (it's not) you could not use it in most cases because it suggests that the Lexus brand is sponsoring or endorsing your site. But if your business buy-a-lexus.com or buyorleaselexus.com you may be able to use it because you are truthfully telling consumers via the name the nature of what you do. That's a form of fair use.

Here is another example: let's assume you repair Nike tennis racquets. You couldn't use the name Nike.com if it were available because that suggests Nike sponsorship. But you could use the name Ireparniketennisoracquets.com because that accurately describes what you do.

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Dealing with Cybersquatting

I will finish by talking briefly about cybersquatting. What is it and how should you respond if you are the target of it

Cybersquatting is the registration of domain name that is the same or confusing similar to yours for an improper purpose

How should you respond?

First don't let this happen; as I suggested earlier, preemptively register in all of the available domains that relate to your present or contemplated domain name or brand (.biz, com, .net)

If the cybersquatter has registered a name confusingly similar to yours and that person has failed to respond to your cease and desist letter, or your buy-out offer (if you make one), you have two options. You can start a simple proceeding under the UDRP (uniform domain name dispute resolution policy) which is incorporated in your domain name registration agreement with your registrar or you can sue the cybersquatter in federal court under a federal statute called the Anticybersquatting Consumer Protection Act (ACPA).

I will talk only here about a UDRP proceeding. To succeed in that proceeding you have to show that:

- 1) the offending domain is confusingly similar to your trademark (it doesn't have to be identical);
- 2) the entity or registrant that registered the offending domain does not have a legitimate interest in it; and
- 3) the registrant registered and is now using the domain in "bad faith."

Bad faith will arise

1. when the registrant attempted to sell the domain for profit;
2. registers the domain names to disrupt a competitor's business.
3. used false information on the whois registry when registering the domain;
4. has a history of cybersquatting;
5. offers competing goods and services; or
6. "transfers" the domain name to a new registrant after receiving a cease and desist letter.

A UDRP proceeding is relatively speedy and low-cost. It lasts approximately six weeks. Legal fees for the administrative proceeding will be considerably lower because the entire UDRP process consists of a single complaint. There are no further proceedings or trial. But the UDRP proceeding gives you a limited remedy. You can only obtain the cancellation or transfer of the infringing domain name. There is no possibility of recovering money damages.

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My final words are that when dealing with Internet you can't simply think out of the box. That's because there is no box. Instead there are practices and rules that change as rapidly as the technology they mirror. So you need to try to keep up with what's happening as you are doing today because the shelf life in this space for most everything is short