

Feature

By **James L Bikoff, David K Heasley, Michael T Delaney, Phillip V Marano and Taro Konoshima**

From the gridiron to gold medals: enforcing sports trademarks

Sports brands must contend with myriad challenges posed by their opponents, counterfeiters and infringers. A sound defence and tough offence are the keys to prevailing over these inventive opponents

The fame and profitability of sporting events such as the World Cup and Olympic Games have grown at a staggering rate. Counterfeiters and infringers who covet this success, money and notoriety are increasingly seeking to capitalize on the fame of these sporting events to promote their own goods and services.

In 2009 alone, US Customs seized more than \$260 million in counterfeit goods. Of these, approximately 60% were in classes affecting sports organizations, including footwear, accessories, apparel, media, toys and electronic games.

The Internet has exacerbated the problem. As Eric Schmidt, chairman and chief executive of Google, once aptly noted, "The Internet is the first thing that humanity has built that humanity doesn't understand, the largest experiment in anarchy that we have ever had." This experiment has mutated counterfeiting and infringement into a seemingly unstoppable, amorphous threat.

Sports organizations must therefore employ both defensive and offensive strategies to defend their IP rights: planning, studying and anticipating infringing activities; educating and enlisting the help of government allies; and unsympathetically prosecuting infringers. Each threat, however, dictates a different strategy.

Fighting fakes

To combat counterfeiting effectively, sports organizations must slow the influx of counterfeit goods, seize goods that are manufactured domestically, and prosecute those that manufacture and traffic in illicit goods.

Illicit goods fall into one of three classes: counterfeit, grey market or merely infringing. Counterfeit goods are defined as goods that bear a 'spurious' (ie, false) mark that is identical to, or substantially indistinguishable from, a registered mark (15 USC § 1127). Grey-market goods are goods bearing a registered mark that are manufactured abroad with the trademark owner's authorization, but imported into the United States without the owner's authorization (*Omega SA v Costco Wholesale Corp*, 541 F 3d 982, 984 n 1 (9th Cir 2008)). Merely infringing goods are those that infringe a

valid US trademark, but fail to qualify as counterfeit goods because the mark is not identical or indistinguishable from the authentic mark, or because the infringing mark is attached to a good outside the class of goods for which the authentic mark is registered (eg, a FOLEX watch or ROLEX sports car).

Defensive measures seek to prevent illicit goods from reaching consumers. To accomplish this, sports organizations must prevent their importation and seize any illicit goods that slip through Customs or are produced domestically.

The first arm of the defensive strategy – import prevention – rests with the US Customs and Border Patrol (CBP). The gatekeeper to US commerce, the CBP is responsible, among other things, for locating and excluding illicit goods that are shipped into the United States.

To enlist the assistance of the CBP, trademark owners must satisfy certain prerequisites. First, they must register the mark with the US Patent and Trademark Office. Second, owners must file the registration certificate with the secretary of the treasury (see 15 USC § 106).

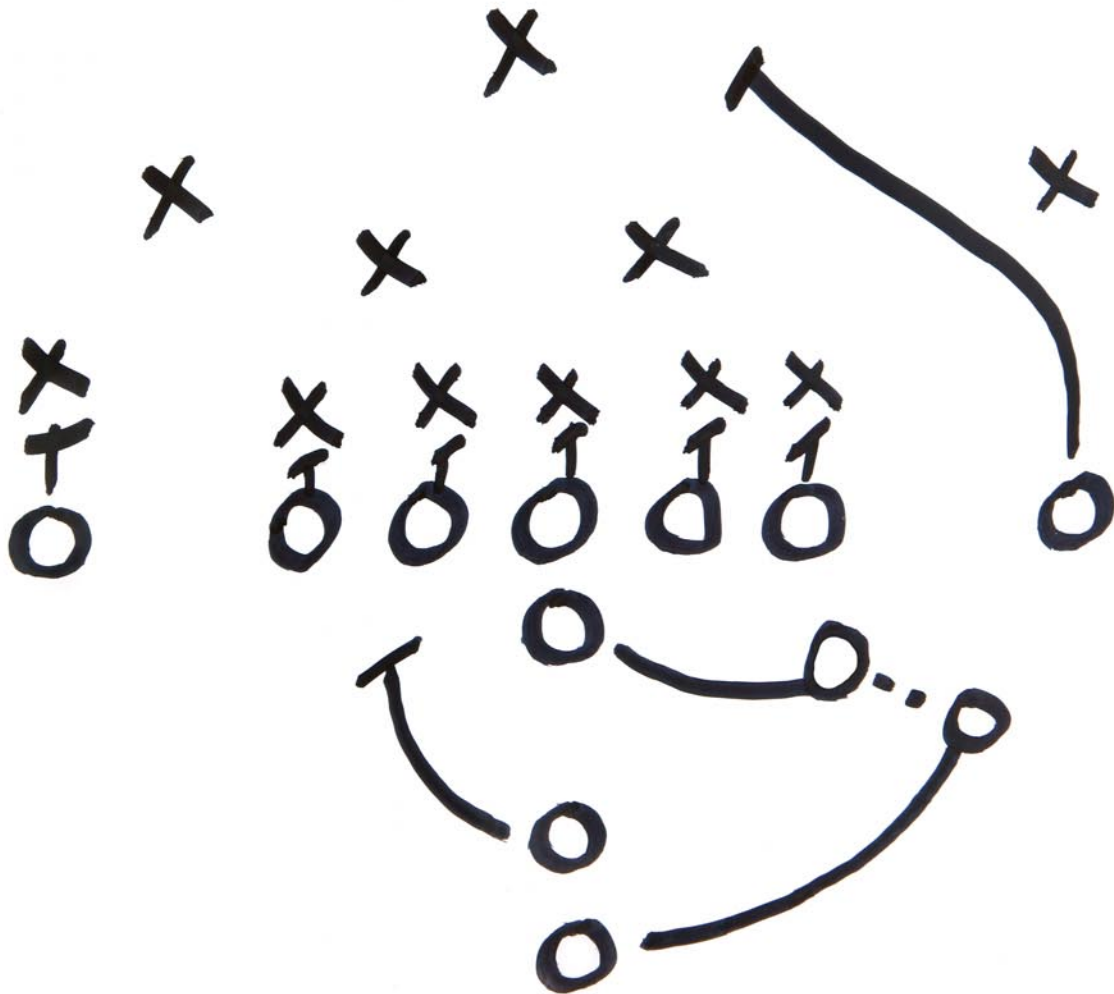
Once the certificate is filed, the CBP is authorized to search for and exclude illicit goods. The CBP's authority, however, is limited by the Tariff Act and the Lanham Act (the US trademark act), as amended by the Trademark Counterfeiting Act of 1984.

Section 526(a) of the Tariff Act authorizes the CBP to seize "any merchandise of foreign manufacture if such merchandise" bears a US trademark filed with the secretary of the treasury (19 USC § 1526). The Supreme Court subsequently limited the Tariff Act's ability to exclude grey-market goods in *Kmart Corp v Cartier Inc* (486 US 281 (1988)), holding that a US trademark owner cannot use the Tariff Act to exclude goods produced abroad by a US trademark owner's subsidiary, parent or agent.

The Lanham Act provides equal protection to all registered marks, but provides only limited exclusionary remedies for grey-market goods. Section 42 provides that no article of imported merchandise that copies or simulates a registered trademark shall be admitted into any customhouse. Section 43(b) broadly prohibits the importation of any good whose sale would constitute unfair competition. These provisions are limited, however, by the scope of the registration upon which exclusion is sought. Courts have further limited a registrant's ability to exclude grey-market goods, holding that a registrant may exclude only grey-market goods that are physically different from genuine US goods bearing the same mark (*Lever Bros Co US*, 981 F 2d 1330 (DC Cir 1993)).

Thus, strategically, if an organization is a US entity, such as Major League Baseball (MLB) or the National Football League (NFL), the Tariff Act offers the greatest protection, assuming that the registrant

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is not a parent or subsidiary of the foreign manufacturer.

By contrast, if the organization is a foreign entity, it may rely on the Tariff Act to exclude counterfeit goods and merely infringing goods (*US v Able Time Inc*, 545 F 3d 824, 836 (9th Cir 2008) (Section 1526 of the Tariff Act lacks an identity of goods requirement). However, a foreign entity has only a limited ability to exclude grey-market goods under the Lanham Act.

On the ground

Properly employed, restricting imports is a highly effective method of preventing dissemination of counterfeit goods. For example, in anticipation of the Atlanta Olympic Games, the International Olympic Committee (IOC) and US Olympic Committee (USOC) worked with the CBP to initiate Operation Gold Medal, which resulted in 125 seizures valued at nearly \$2 million.

The defensive strategy cannot stop at the border, though. The second arm of the defensive strategy is field enforcement, which involves locating and seizing infringing goods. To establish an effective operation, counsel must engage the assistance of local law enforcement and investigators, educate them on the threat and methods for identifying illicit goods and establish legal grounds to seize the counterfeit goods discovered.

Section 34 of the Lanham Act authorizes a court to issue *ex parte* seizure orders in a civil action alleging trademark infringement from the manufacture or sale of counterfeit goods in violation of 15 USC § 1114. The order permits the seizure of counterfeit goods (ie, identical or substantially similar goods bearing a spurious mark registered on the Principal Register). This remedy is limited to goods on which the registered mark is used at the time (Senate-House Joint Explanatory Statement on Trademark Counterfeiting Legislation, 130 Cong Rec H12076 (October 10 1984)).

International sports organizations, such as the IOC and *Fédération Internationale de Football Association*, have petitioned for permanent or temporary legislation that grants enhanced brand protection. The legislation generally provides broad protection designed to grant the sports organization the exclusive right to use a certain mark for all goods and services. This legislation also limits the use of certain marks in advertising and reporting, and provides special enforcement mechanisms. For example, the Olympic and Amateur Sports Act grants the USOC the exclusive right to make domestic commercial use of the word 'Olympic' and related words and symbols associated with the Olympic Games. Commercial use of the Olympic marks by anyone other than the USOC and those it authorizes is impermissible, regardless of the goods or services on which the marks are used, unless they are specifically exempted by the legislation. Specially tailored legislation of this sort can afford a sports organization greater protection against counterfeit, grey-market and merely infringing goods and services than the Tariff Act or Lanham Act.

Offering infringers a way out

To combat vendors of counterfeit goods who descend upon sports venues, counsel may file a complaint in a court with jurisdiction over the venue, alleging that certain unknown individuals – 'John Doe' defendants – intend to infringe the registrant's trademark by selling goods bearing the sports organization's mark, or a substantially similar mark, on goods identified in the organization's trademark registration. Once a seizure order is issued, the registrant is authorized to serve the order, with the assistance of law enforcement officers, on manufacturers and vendors of counterfeit merchandise at the sports venue. Once served, vendors rarely appear in court to contest the seizure.

Voluntary surrender is also a viable alternative to induce vendors

at sports venues to surrender counterfeit goods. During Operation Gold Medal, the IOC and USOC served vendors of counterfeit goods with cease and desist letters explaining the IOC's and USOC's rights, and requesting that the vendors voluntarily surrender all counterfeit goods. This strategy was effective in many cases, streamlining subsequent legal proceedings while accomplishing the primary objective of field enforcement – confiscation of illicit merchandise.

A more offensive strategy abandons the prevention mantra and shifts its focus to prosecuting traffickers and, if possible, manufacturers of counterfeit goods.

Under the Lanham Act, a party that produces or traffics in counterfeit goods is liable for infringement (15 USC § 1114) and unfair competition (15 USC § 1125(a)). The owner of a famous mark – a classification that includes many sports trademarks – may also seek to enjoin the sale of counterfeit goods under a dilution theory (see 15 USC § 1125(c)). Similar state law remedies for infringement and unfair competition are also available.

A registrant may also proceed against third parties that contribute to counterfeiting. Under a contributory liability theory, a registrant may pursue any entity that induces another party to infringe a trademark or supplies a product, knowing that the buyer is using the product to engage in trademark infringement (*Inwood Laboratories Inc v Ives Laboratories Inc*, 456 US 844 (1982)). Through suits for direct and contributory infringement, sports organizations may deter vendors, manufacturers and suppliers that knowingly contribute to the manufacture, distribution or sale of counterfeit products.

Counterfeiting goes virtual

As in any industry, sports organizations must be vigilant for internet domains and websites that infringe or tarnish their brands. The magnitude of infringement in the internet domain name system surrounding a particular sporting event can be staggering. At the turn of the millennium, the USOC, IOC and Salt Lake Organizing Committee successfully terminated over 1,800 domains that falsely suggested an association with the Olympic movement and the 2002 Winter Olympic Games (*IOC v 2000Olympic.com*, Civ No 00-1018-A (ED Va 2000)).

From a defensive standpoint, sports organizations should protect their trademarks in the internet domain name system by regularly searching for and monitoring infringing domains and proactively acquiring defensive domain name registrations. However, scouring the domain name system for infringement is a daunting task. At present, there are over 192 million domain name registrations, and many registrants use famous sports marks in an attempt to hijack internet traffic for commercial gain by creating a likelihood of confusion as to the source, sponsorship, affiliation or endorsement of their websites. Potential infringing uses of domains run the gamut, from pay-per-click advertising for unauthorized sponsors to sale of counterfeit tickets and merchandise.

Complicating matters, particularly for sports organizations, is the speculative nature of the domain name industry, which often attempts to capitalize on prospective trademark rights. For example, in 2003, the company in charge of promoting Madrid's bid for the 2012 Olympic Games successfully recovered 'www.Madrid2012.com', a domain name registered by a cybersquatter two days before the company filed its trademark application for MADRID 2012, but several months after Madrid's well-publicized bid to host the games (*Madrid 2012 v Scott-Martin-MadridMan Websites*, WIPO D2003-0598). Sports organizations are afforded protection against such speculative registrations where the registrant is clearly aware of the organization's potential rights and aims to take advantage of confusion between those rights and a domain name.

The Trademark Counterfeiting Act of 1984 bolsters the civil provisions of the Lanham Act with criminal counterfeiting sanctions. In its present form, the Trademark Counterfeiting Act, codified at 18 USC § 2320, criminalizes the intentional trafficking in counterfeit marks and products bearing counterfeit marks. To convict an individual under this statute, the prosecution must demonstrate beyond reasonable doubt that the defendant intentionally trafficked, or attempted to traffic, in goods or services and knew they were counterfeit (*United States v Sultan*, 115 F 3d 321 (5th Cir 1997)).

Criminal liability under the Trademark Counterfeiting Act differs from civil liability in two principal ways. First, the scope of 'counterfeit' is narrower. Under both acts, 'counterfeiting' is defined as use of a registered mark on goods identical to, or substantially indistinguishable from, the goods listed in the registration. In addition, the Trademark Counterfeiting Act

requires that the mark be actually used in commerce at the time of the alleged counterfeiting, not merely registered.

The intent requirement also distinguishes between civil and criminal liability. Unlike the Lanham Act, the Trademark Counterfeiting Act requires that the trafficker know, or have reason to know, that the goods are counterfeit. The trafficker need not know, however, that the mark is registered or that trafficking in counterfeit goods constitutes a criminal offence.

In defence, a defendant may disavow knowledge or intent, or assert any defence permissible under the Lanham Act. If the defence fails, the defendant faces severe penalties – a corporation faces maximum penalties of \$5 million for its first conviction and \$15 million for any subsequent conviction, while an individual faces a maximum fine of \$2 million and 10 years' imprisonment for his or her first conviction, and \$5 million and 20 years' imprisonment for any

subsequent conviction. If the individual knowingly or recklessly manufactures or traffics in counterfeit goods, the use of which results in death, the individual faces a maximum penalty of life imprisonment.

Criminal counterfeiting charges also support aggravated penalties. Pursuant to the 1996 amendment to the Trademark Counterfeiting Act, criminal counterfeiting constitutes a violation of the Racketeer Influenced and Corrupt Organizations (RICO) Act (Senate Section-by-Section Analysis, Cong Rec S12084 (August 9 1995); see also *US v Gilbert*, 244 F 3d 888, 908 (11th Cir 2001)).

RICO Act violations allow law enforcement to seize non-monetary assets associated with the criminal counterfeiting enterprise, including property and equipment. Criminal counterfeiting also qualifies as an 'aggravated felony' under US immigration law – thus, a foreign citizen engaging in criminal counterfeiting may be

deported (*Yong Wong Park v Attorney General of US*, 472 F 3d 66 (3d Cir 2006)).

Criminal counterfeiting remedies are truly powerful. Indeed, these remedies are rarely invoked unless civil penalties are insufficient to deter counterfeiting or citizens are endangered, as with counterfeit medication, and auto or aircraft parts. In the absence of compelling public policy concerns, criminal prosecutors and investigators are unlikely to support criminal sanctions unless the counterfeiting is prolific or associated with other criminal enterprises – such as terrorism, drug trafficking or prostitution. Criminal prosecution, however, is a powerful tool that should be incorporated into any sports trademark enforcement plan to the extent possible, especially plans protecting large sporting events, such as the Super Bowl or Olympic Games, where counterfeiting may be prolific enough to spark prosecutors' interests.

Sports organizations have the opportunity to register domains proactively, for defensive purposes, when new sports trademarks are introduced or new domain name extensions are launched. In December 2008 the launch of domains ending in '.tel' afforded brand owners the exclusive opportunity to pre-register domains corresponding to their nationally registered trademarks. Numerous well-known sports organizations took advantage of this sunrise registration period, including the National Basketball Association, the NFL and the Union of European Football Associations. Proactive registrations are particularly important in domain name extensions that correspond to specific countries. For example, 'www.Sochi2014.ru' is the official Russian Federation website for the 2014 Sochi Winter Olympic Games.

From an offensive standpoint, cease and desist letters to individual registrants are often fruitless for a number of reasons. First, publicly available contact information for many registrants is false, inaccurate or shielded by proxy services. Second, the minimal cost of domain name registrations is not a large enough investment to motivate bad-faith registrants to respond to cease and desist letters. Bad-faith registrants also seldom respond to complaints filed under the Uniform Domain Name Dispute Resolution Policy (UDRP) or the Anti-cybersquatting Consumer Protection Act.

Going after cyber-counterfeiters

The UDRP is a relatively expeditious and inexpensive method for recovering a large number of infringing domains from a single registrant, and sports organizations have played an active role in the UDRP from its inception in 1999. In 2009 the World Intellectual Property Organization – the largest UDRP provider – reported that football "featured strongly" in its 2009 caseload, "including the upcoming World Cup (www.fifaworldcup2010.com)" and several English Premier League teams, which "brought a consolidated action against a single respondent engaged in selling tickets via domain names which included their respective club names" (*Fulham Football Club v Domains by Proxy Inc*, WIPO D2009-0331).

In addition, sports organizations may use a variety of country-specific dispute resolution policies, including the European Commission's Alternative Dispute Resolution for domains ending in '.eu', as well as the Canadian Internet Registration Authorities' Dispute Resolution Procedure for domains ending in '.ca'.

The Anti-cybersquatting Consumer Protection Act is a unique section of the Lanham Act that prohibits bad-faith registration of domains that are confusingly similar to federally registered trademarks. A significant advantage of the act is that brand owners are permitted to proceed *in rem*, directly against domains that are harboured on computer servers located within the United States, but held by offshore or fictitious registrants. As indicated above, the IOC and USOC used the legislation to terminate and/or recover over 1,800 infringing domains related to the 2002 Salt Lake City Winter Olympic Games.

More recently, the IOC and USOC used the legislation to recover several infringing domains related to the 2008 Beijing Summer Olympics. Domains such as www.olympic-tickets.net and www.beijingolympictickets2008.com were being used to mislead consumers into believing that their accompanying websites were offering official Olympic tickets (*USOC v Xclusive Leisure & Hospitality*, Case No C 08-03514 JSW (February 19, 2009)). Although the registrants concealed their identities by providing fictitious contact information and refusing to respond to the lawsuit, the IOC and USOC successfully shut down the websites by proceeding directly against the domains pursuant to the act's *in rem* provision.

Preparing for ambush

Another serious threat to a sports organization's intellectual property is ambush marketing – attempts by a company to associate itself with the goodwill built up around a particular sports league or event without paying sponsorship or royalty fees to the sports organization that owns the league or event's intellectual property. Although ambush marketing is a convenient catchphrase, and not a formal legal concept, it poses a significant threat to sports organizations that

rely on revenue from exclusive sponsorships. The value of sponsorship essentially lies in exclusivity and ambush marketing undermines sponsorship value by violating this exclusivity.

As such, FIFA also routinely secures specialized protection for its marks to dissuade ambush advertising during the World Cup, as well as other events, such as the Second 2010 FIFA World Cup South Africa Special Measures Act of 2006. The power of such legislation was demonstrated during the first week of the 2010 World Cup when two young women were arrested and brought up on criminal charges for alleged ambush advertising in violation of the South African Merchandise Marks Amendment Act of 2002 for attending the Denmark v Holland World Cup match, with 34 girlfriends, wearing orange Bavaria Beer mini-dresses. The catch-22 of the criminal prosecution is that it likely generated more recognition for Bavaria Beer than the 36 scantily clad young women could have ever hoped to, while creating negative publicity for FIFA; yet aggressive enforcement is necessary to appease official sponsors injured by such activities and to protect the value of future endorsements.

As with other unfair competition issues, sports organizations can use defensive and offensive tactics both to prevent and to limit ambush marketing. First, sports organizations can resort to the simple expedient of buying up advertising space surrounding the relevant venue. Additionally, they can use educational strategies, including the distribution of informational material, to enlighten companies about practices that constitute ambush marketing.

Some organizations, such as the 1996 Atlanta Olympic Organizing Committee, have also employed 'name and shame' campaigns against companies engaged in ambush advertising. On a lower-profile level, appropriately worded cease and desist letters can be effective, especially if the company engaging in ambush advertising is small and unassisted by legal representation.

All for one and one for all

Collaboration remains an effective weapon, and organizations should try to coordinate with sports teams and other subsidiary organizations to prevent the creation of conflicting sponsorship agreements which might form the basis of an ambush marketing campaign. Sports organizations should also attempt, if possible, to secure cooperation from their athletes in the sponsorship deals they make without interfering in the athletes' right of publicity, as, for instance, the MLB Players Association has done (see *Fleer Corporation v Topps Chewing Gum*, 658 F 2d 139, 143 (3rd Cir 1981)). Any such cooperative agreements with either subsidiary organizations or athletes must, however, remain "reasonable" under the Sherman Antitrust Act (15 USC § 1).

Similarly, some sports organizations have successfully arranged for governmental authorities to control advertising around particular venues. For instance, under the London Olympic Games and Paralympic Games Act 2006, the UK government is authorized, under the guidance of the IOC, to control advertising, as well as notices and announcements, around the area of the Olympics. This special legislation may be of indefinite duration or limited to a period surrounding an event.

Besides rights granted in the Olympic and Amateur Sports Act, sports organizations in the United States have three civil causes of action (under the Lanham Act and similar state laws) by which to challenge ambush advertising.

While 15 USC § 1114, prohibiting trademark infringement, is available, most ambush marketers are too sophisticated to use confusingly similar trademarks that would evoke this cause of action. More useful is 15 USC § 1125, which prohibits the use of advertising or promotion that "is likely to cause confusion, or to

The case for the defence

In opposing ambush marketing, a sports organization may encounter several specially adapted defences. For example, the First Amendment protects any descriptive use of a trademark. Thus, publications may discuss a sporting event and permit unauthorized advertisements in the same periodical (*USOC v American Media Inc*, 156 F Supp 2d 1200,

1209 (D Col 2001)). Advertising itself may also include descriptive trademark use (*Playboy Enterprises v Welles*, 279 F 3d 796 (9th Cir 2002)).

Ambush marketers may also employ disclaimers of affiliation in an attempt to avoid liability. As defendants, however, they would "bear the heavy burden" of demonstrating that the disclaimer eliminates consumer confusion.

cause mistake, or to deceive" as to the affiliation of the advertised good or service with another entity.

In addition, 15 USC § 1125(c) provides for the protection of famous marks, such as the NFL's SUPERBOWL mark, against dilution by the use of marks that would cause the famous mark to lose its distinctiveness or become tarnished in the eyes of the consuming public, regardless of consumer confusion, competition or economic injury.

Ambush marketing is not limited to the physical world. The Internet has provided new opportunities for online ambush marketing and, to prepare an effective offensive strategy against ambush marketing, counsel need to understand how courts have addressed these online advertising techniques.

By way of an example of potential digital ambush marketing, during the first week of the 2010 World Cup, Continental Airlines ran an internet advertising campaign that boasted: "What do we do with old planes? We given them the red card." On one occasion, the advertisement was displayed, ironically enough, next to a *Guardian* article discussing the Bavaria Beer ambush advertising debacle.

Courts are increasingly ruling that the purchase and sale of valid trademarks to competitors to use internally to generate websites and sponsored links to websites (see *Rescuecom Corp v Google Inc*, 562 F 3d 123, 128-29 (2d Cir 2009)), pop-up advertisements, banner advertisements (eg, *Playboy Enterprises Inc v Netscape Communications Corp*, 354 F 3d 1020, 1022-24 (9th Cir 2004)), and higher positions for website links in search page listings (ie, as a meta tag) constitute trademark infringement.

Interestingly, while some courts continue to support the idea that initial customer confusion is sufficient to support a claim of trademark infringement from use of trademarks as meta tags to generate pop-up advertisement and sponsored links (see *Australian Gold Inc v Brenda Hatfield*, 436 F3d 1228 (10th Cir 2006)), this doctrine is increasingly being questioned (see *Designer Skin LLC v S & L Vitamins Inc*, 560 F Supp 2d 811, 820 (Dist Az 2008)).

However, these rulings apply directly to the use of valid trademarks as infringing activity. Courts have not specifically ruled on whether the purchase of generic terms closely associated with sports leagues or events to generate competitive advertising on the Internet may constitute unfair competition. Issues concerning online ambush marketing thus remain unsettled.

In sum, sports organizations face a variety of threats. However, via a tenacious defence and a penetrating offence, and with the help of governmental allies, it is possible to limit infringement and seek compensation for unavoidable injury. [WTR](#)

James I Bikoff and **David K Heasley** are partners, and **Michael T Delaney**, **Phillip V Marano** and **Taro Konoshima** attorneys, with Silverberg, Goldman & Bikoff, LLP in Washington, DC
jbikoff@sbgdc.com
dheasley@sbgdc.com
mdelaney@sbgdc.com
pmarano@sbgdc.com
tkonoshima@sbgdc.com