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The June 2019 issue of Sterne Kessler's MarkIt to Market® newsletter addresses the implications of blockchain-based names, and discusses negotiation tips for junior users entering into coexistence agreements. It also features a *Law360* article about the Supreme Court's recent decision on offensive trademark registrations.

Sterne Kessler's [Trademark & Brand Protection practice](#) is designed to help meet the intellectual property needs of companies interested in developing and maintaining strong brands around the world. For more information, please contact [Monica Riva Talley](#) or [Tracy-Gene G. Durkin](#).

**Editor & Author:****Monica Riva Talley**

Director

[mtalley@sternekessler.com](mailto:mtalley@sternekessler.com)**Author:****Dan Bernard**

Associate

[dbernard@sternekessler.com](mailto:dbernard@sternekessler.com)**Author:****Julie Shirk**

IP Specialist

[jshirk@sternekessler.com](mailto:jshirk@sternekessler.com)**IN THIS ISSUE**

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**DOWNLOAD****BLOCKCHAIN-BASED NAMES:**

# NEW FRONTIER FOR BRANDS (AND SQUATTERS)



By [Dan Bernard](#) and [Monica Riva Talley](#)

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## A COEXISTENCE CAVEAT FOR JUNIOR USERS

By [Julie D. Shirk](#)

Many trademark disputes are resolved by coexistence agreement – a contract whereby two trademark owners agree to use similar trademarks, but with certain limitations in place to avoid a likelihood of confusion in the marketplace. Ideally, a trademark owner wants to negotiate such an agreement from the standpoint of the “senior user” (that is, the trademark owner who is first to use and/or acquire rights in a trademark); the senior user is typically in a better position, legally, to limit the junior user’s activities and thus “holds all the cards.”

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## A 'RUSH' OF OFFENSIVE TRADEMARKS? MAYBE NOT

Sterne Kessler Director [Monica Riva Talley](#) is quoted in this *Law360* article published on June 25, 2019 that explores the likelihood of an increase in offensive trademarks following a high court decision.

*Law360* -- U.S. Supreme Court Justice Sonia Sotomayor is predicting that the high court’s decision to strike down a ban on offensive trademark registrations will lead to a “rush” of vulgar brand names, but some experts aren’t quite as worried.

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## BLOCKCHAIN-BASED NAMES: NEW FRONTIER FOR BRANDS (AND SQUATTERS)

By [Dan Bernard](#) and [Monica Riva Talley](#)

Blockchain technology has garnered attention from various sectors over the past ten years, much of it due to the rise of Bitcoin and other cryptocurrencies. Cryptocurrencies have gained popularity and notoriety for their technical aspects that make transactions generally reliable, immutable, and anonymous. With decentralized control, cryptocurrencies prevent forgery and double-spending that traditional financial institutions typically need a lot of time and trust to clear, especially between banks and across borders. In this way, cryptocurrencies can streamline financial transactions that were previously cumbersome, if not also risky.

Blockchain technology has also revolutionized other aspects of business. For example, blockchain can be used to validate the authenticity of products such as art, rare goods, and sensitive commodities, and is viewed as a way to address counterfeiting via global supply chain verification. Blockchain is also hitting the mainstream, with companies such as Amazon, Facebook, and IBM racing to dominate the blockchain application space.

Blockchain technology at its core is based on distributed-ledger technology. Some blockchains can also implement decentralized applications (dApps) to impose and enforce conditions on transactions. Similarly, some blockchains may implement non-fungible tokens (NFTs). An upshot of these blockchain developments has been for groups of users of various blockchains to implement naming schemes, including via dApps, on various blockchains. Naming helps users to abstract away complexity of cryptographic keys (e.g., d3ddccdd3b25a8a7423b5bee360a42146eb4baf3), which may be long and difficult to remember or type. Naming services were developed for Internet domains and hosts, via the Domain Name System (DNS). Because of DNS, users can type google.com into web browsers instead of having to remember and type 2607:f8b0:4006:0812::200e or 172.217.7.174.

Even through some blockchain-based names may resemble Internet domain names, the standard DNS was not designed to resolve blockchain-based names or use dApps directly. Instead, new Internet domains are being configured as bridges to blockchain-based names from DNS. Decentralized applications are now lowering barriers to entry for many users who wish to register names on various blockchain platforms. Examples of such dApps include so-called “smart contracts” on the Ethereum blockchain. Other blockchains with a focus on name services that have emerged include Emercoin, Handshake, Blockstack, EOSIO, and IOV BNS. Some implementations may treat names as NFTs.

Not unexpectedly, these blockchain-based name services have become a new frontier for brand owners. However, the decentralized nature of such services makes them attractive to a new breed of squatters and land grabbers—not least because they can be nearly impossible to police for infringement of trademark rights. Moreover, unlike traditional domain names, which are subject to ICANN and its dispute-resolution policies, blockchain-based naming systems often have no central authority that can provide a remedy to aggrieved brand owners, and the anonymity that blockchains provide typically means that squatters cannot be identified in order to take legal action in any forum.

Squatting has been, and remains, a problem with typical blockchain-based name systems. Nevertheless, technologies and policies continue to evolve, and solutions may be emerging. For example, the Ethereum Name Service (ENS) rolled out a new registrar in May 2019. This update introduces further mitigations against squatting, including strengthening its previous policies to discourage squatting. Further adjustments may be likely in the future of ENS, depending on how successful the latest measures prove to be.

While ENS addresses lessons learned from after more than two years in use, other new services continue to spring up. For example, Ziliqa and EnCirca “.crypto” may implement new name services that include trademark validation similar to that of the Trademark Clearinghouse for generic top-level domains (gTLDs).

For brand owners, these new blockchain-based name services present both opportunity and risk. For now, treating these new unregulated spaces as free markets that need to be monitored for opportunities and addressed proactively may be the safest path forward into the cryptographic wilderness.

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Many trademark disputes are resolved by coexistence agreement – a contract whereby two trademark owners agree to use similar trademarks, but with certain limitations in place to avoid a likelihood of confusion in the marketplace. Ideally, a trademark owner wants to negotiate such an agreement from the standpoint of the “senior user” (that is, the trademark owner who is first to use and/or acquire rights in a trademark); the senior user is typically in a better position, legally, to limit the junior user’s activities and thus “holds all the cards.”

In many instances, a senior user will require a junior user to forego federal registration of its trademark and only allow coexistence as to use. But, in agreeing to do so, the junior user deprives itself of several key benefits, including presumptions of ownership and validity of the trademark, both of which are advantageous in a trademark infringement action with respect to the burden of proof.

However, in today’s e-commerce-driven marketplace, where counterfeits and other unauthorized uses of trademarks abound, a federal trademark registration is often required to take advantage of several rights protection mechanisms, including:

- Customs and Border Patrol (CBP) – recording a federal registration with CBP enables a trademark owner to block importation of counterfeit goods bearing the registered trademark;
- Amazon Brand Registry – this registry offers registered trademark owners protections from counterfeits and trademark hijacking, and gives the trademark owner added control over the listing of products on the site that use the registered trademark;
- Trademark Clearinghouse – recordation of a federal registration with the Clearinghouse enables a brand owner to register its trademark as a domain name during “Sunrise” or early-bird registration periods for new top level domains (TLDs), and to receive notice when a third party has registered the recorded trademark as a domain name;
- Domain Name Disputes – for the most part, a federal registration is required to file a complaint under the Uniform Rapid Suspension (URS) Policy, and a federal registration makes it easier to show that a Complainant has rights in a trademark for a complaint under the Uniform Dispute Resolution Policy (UDRP). The latter is particularly important where the trademark at issue could be argued to be descriptive;
- Takedown requests – many takedown policies on e-commerce websites require a federal registration in order for the takedown request to be actionable.

The takeaway is that if you find yourself in the position of junior user in negotiation of a coexistence agreement, and your brand is subject to counterfeiting and other unauthorized uses, think twice before agreeing to not federally register your trademark. And, if the senior user digs its heels in and insists on no registration in the United States, consider negotiating for (1) registration of the trademark in other jurisdictions, (2) registration of a stylized mark, as opposed to a mark in standard character, and/or (3) registration of goods and services of lesser concern to the senior user to provide at least some level of protection. For the most part, registrations in other jurisdictions, and for trademarks in stylized forms, will still allow a trademark owner to take advantage of the rights protection mechanisms discussed above, giving even a junior user the ability to police and take action to stop abuses of its brand.

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