

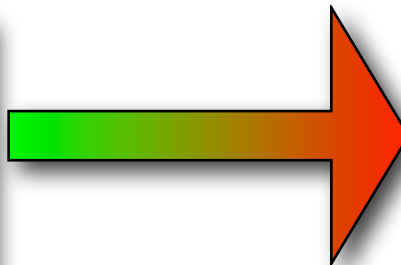
Sonnenberg & Anderson

Customs Law & International Trade Bulletin

Putting some teeth into IP protection through U.S. Customs and Border Protection

Highlights:

- [Protecting your intellectual property through U.S. Customs](#)
- [Copyright Enforcement Authority of U.S. Customs.](#)
- [Trademark Enforcement Authority of U.S. Customs.](#)
- [Patent Enforcement Authority derived from U.S.I.T.C.](#)



Protecting and Defending Intellectual Property Rights at the Border

by M. Jason Cunningham

Protecting against imported fakes, pirated goods, and grey market goods is of increasing concern to company's with valuable, trademarked brands and patents.

Because U.S. Customs is the gate keeper for all imported items, our firm works closely with U.S. Customs and other U.S. agencies to prevent the importation of products that violate U.S. patents and/or trademarks.

This newsletter discusses the protections available as well as the business and legal considerations that must accompany the exercise of these protections.



Our firm works with clients as well as other law firms that specialize in patents and trademarks to utilize our expertise with U.S. Customs to protect existing patents and trademarks against infringing imports.

In recent years, U.S. Customs has averaged more than 3500 seizures per year involving violations of intellectual property. However, without taking proactive steps, it is unlikely the agency will be able to identify or seize violations of your company's intellectual property.

Customs Copyright Enforcement Authority

As an administrative agency with law enforcement powers, the United States Customs Service has the legal authority to make infringement determinations regarding trademarks and copyrights, pursuant to the Tariff Act of 1930, the Lanham Act of 1946 and the Copyright Act of 1976.

While the determination of copyright piracy can complex, the basic test looks for unauthorized substantial similarity of a material protected part of the copyright. In order to establish copyright infringement,

copyright ownership and copying must be proven. With regard to establishing ownership of copyrights, pursuant to 17 U.S.C. 410(c), a copyright registration evinces ownership of the copyright. Proof of copying may be established through direct evidence of copying or through circumstantial evidence.

Direct evidence of copying is rare. Circumstantial evidence of copying requires a showing of access to the work and substantial similarity to the protected work.



Copyright

Customs Trademark Enforcement Authority



As a competent authority to decide substantive issues of trademark infringement, the United States Customs Service makes determinations as to trademark infringement. Customs regulations provide for three levels of infringement: counterfeit, confusingly similar or “gray market” (diverted goods or parallel importations).

Counterfeit Infringement

By statute, Title 15, United States Code, section 1127 (15 U.S.C. § 1127), a counterfeit mark is defined as a spurious mark which is identical with, or substantially indistinguishable from, a registered trademark.

Confusingly Similar INfringement

The legal standard for determining infringement where the mark is not counterfeit is “confusingly similar”. Under this standard, the dispositive issue is whether the mark is likely to cause confusion or mistake or to deceive the average consumer.

Gray Market (Parallel Imports) Infringement

“Gray market” goods are genuine goods manufactured in a foreign country, bearing a United States trademark and imported without the consent of the United States trademark owner.

“ The manner of Customs protection of a trademark right is determined by whether the mark has been recorded with Customs.”

Using Customs and the USITC to Seize Patent Infringing Imports before they Reach the U.S. Market

United States Customs Service sole enforcement authority relating to patents is more limited on patent enforcements. It must work under the finer direction of the international Trade Commission (ITC) due to the more complex analysis required in patent matters.

Customs enforces “exclusion orders” issued by the United States International Trade Commission (ITC) pursuant to Section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337). In seeking to prevent imports from violating patents, the patent holder first petitions the USITC for an exclusion order, then benefits from Customs closing of the borders to infringing products.

ITC exclusion orders are issued, among other things, for findings of infringement of a patent. Thus, Customs has authority to

exclude from entry goods infringing a patent pursuant to an ITC exclusion order.

Pursuant to 19 CFR 12.39(c), seizure is permitted under an ITC seizure order where the owner, importer or consignee has previously attempted to import the article, the article was previously denied entry, and written notice was provided to the importer that further attempt to enter the article would result in seizure and forfeiture.

Because exclusion orders are complete, careful consideration and drafting of the petition is necessary where the patent holder has licensed legitimate imports or imports the patented product itself. In some cases, patent holders accidentally excluded legitimate imports. Customs mechanically and literally enforces ITC exclusion orders as drafted.

Customs Actions Against Trademark Infringing Imports



Trademark owners may register their trademark with U.S. Customs, which will increase the likelihood that the agency will notice and capture trademark violations before they enter the U.S. market.

The manner of Customs protection of a trademark right is determined by whether the mark has been recorded with Customs.

Counterfeit

Where imported merchandise bears a mark which is counterfeit of a registered and recorded trademark, Customs may seize the merchandise as bearing a counterfeit mark pursuant to 19 U.S.C. § 1526(e) and provide the importer with notice of the seizure. Customs officers inform the right holder of the seizure of the goods bearing the infringing marks pursuant to Customs regulations. Although Customs focuses on protection of trademarks which have been recorded with Customs, protection for federally registered trademarks which have not been recorded with Customs may also be provided. Where merchandise bears a mark which is determined to be counterfeit of a registered but unrecorded trademark, Customs may seize such merchandise in certain cases pursuant to 19 U.S.C. § 1595a(c)(2)(C) (section 596 of the Tariff Act) for violation of 18 U.S.C. § 2320, involving trafficking in counterfeit goods.

Merchandise which is seized and forfeited as bearing a counterfeit mark must be destroyed, unless the trademark owner provides written consent and the merchandise is not unsafe or a health hazard. Where consent is provided by the trademark owner, after obliteration of the mark where feasible, the merchandise may be delivered to any Federal, State or local government agency, donated to a charitable institution or sold at public auction. In addition to the seizure of merchandise

bearing counterfeit registered and recorded marks, pursuant to 19 U.S.C. § 1526(f), Customs may impose a civil fine on any person who directs, assists financially or otherwise, or aids and abets the importation of merchandise bearing a counterfeit mark.

Confusingly Similar

Merchandise bearing marks which are “confusingly similar” to registered and recorded trademarks is initially subject to detention. Customs notifies the importer in writing of the detention and provides the importer with the opportunity to show that he has obtained permission from the right holder, that a personal exemption applies, or that if there are no prior incidents, he will obliterate the infringing mark. The importer has 30 days to obtain release of the merchandise. If the merchandise is not released within this time period, the merchandise is seized pursuant to 19 U.S.C. § 1595a(c)(2)(C) for violation of 15 U.S.C. § 1124. Merchandise bearing a mark which is confusingly similar to a trademark registered with the United States Patent and Trademark Office but not recorded with Customs, will, under current Customs policy, not be detained or seized.

Gray Market

Goods bearing a trademark which receives gray market protection are initially subject to detention. Customs provides gray market protection only to trademarks which have been recorded with Customs and where the U.S. trademark owner does not own the foreign trademark abroad and no common ownership or control exists between the U.S. trademark owner and a foreign trademark owner. The importer is notified in writing that the goods have been detained as gray market goods. The importer is provided 30 days to obtain the consent of the U.S. trademark owner to import the

*“ The manner of
Customs protection
of a trademark right
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with Customs. ”*



goods or to remove the infringing trademarks.

The importer has 30 days in which to obtain the release of the merchandise. If the merchandise is not released within this time

period, the goods are seized pursuant to 19 U.S.C. § 1526(b). The importation of gray market merchandise fitting the above descriptions is unlawful pursuant to 19 U.S.C. § 1526(a) and subject to seizure under 1526(b).

Customs Actions Against Copyright Infringing Imports

Customs actions against imports of goods that infringe copyrights is governed by whether the imported good is “clearly piratical” or “possibly piratical.”

Clearly Piratical Imports

In cases where the United States Customs Service is convinced that imported merchandise infringes a federally registered copyright and the copyright has been recorded with Customs, pursuant to statutory and regulatory authority, 19 U.S.C. § 1595a(c)(2)(c) for a violation of 17 U.S.C. § 602/603 and 19 CFR 133.42, the merchandise will be seized. Where a federally registered copyright has not been recorded with Customs and a determination is made that the merchandise is clearly piratical, the merchandise is subject to seizure pursuant to 19 U.S.C. § 1595a(c)(2)(C) for violation of 17 U.S.C. § 501, or §§ 506, 509 in criminal cases.

Possibly Piratical Imports

As a competent authority, Customs may detain imported merchandise, pursuant to statutory and regulatory authority, where an imported item, when compared to a protected work, raises a suspicion of substantial similarity. If the appropriate Customs officer has any reason to believe that an imported article may be an infringing copy or phonorecord of a recorded copyrighted work, the concerned port director will withhold delivery, notify the importer of his action and advise the importer that if the facts so warrant he may file a statement denying that the article is in

fact an infringing copy. The importer is provided the opportunity to either admit or deny that copyright infringement exists and has 30 days to respond to the Customs notice of detention. In the absence of a denial, the merchandise will be considered infringing. Where the importer denies infringement, Customs notifies the copyright owner and provides the party with a sample of the imported merchandise.

If the copyright owner believes that the merchandise infringes its copyright, the copyright owner must file a written request that Customs exclude the merchandise and also deposit a bond within 30 days of the date of the notice, conditioned to hold the importer or owner of the imported article harmless from any loss or damage resulting from Customs detention in the event that Customs determines that the article is not an infringing copy. The amount of the bond is determined by the Port Director (often in the amount of 120% of the dutiable value of the goods).

Where the copyright owner exercises its right to file a written request to exclude the merchandise and the bond is posted, the importer and copyright owner will be afforded 30 days in which to submit additional evidence to the Intellectual Property Rights Branch at Headquarters. Briefs are exchanged between the copyright owner and the importer. Each party may file a response to the arguments raised by the opposing party. A determination is then made by the IPR Branch at Customs Headquarters as to whether the goods are

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piratical. Where Customs determines the goods are piratical, the goods are seized and forfeited and the bond is returned to the copyright owner. Where Customs determines that the goods are not piratical, the goods are released to the importer and the bond is turned over to the importer.

Merchandise which is initially determined to be possibly piratical of a federally registered copyright which has been recorded with Customs is subject to seizure pursuant to 19 U.S.C. §1595a(c)(2)(c) for a violation of

USITC and Customs Actions Against Patent Infringing Imports

In order to receive protective action by U.S. Customs at the border to prevent the importation of infringing goods, the patent holder must petition that the USITC issue an exclusion order against the infringing goods. Once issued, Customs will enforce the exclusion order to prevent the importation of infringing goods at the border.

The Commission is authorized under Section 337 to issue two types of remedial orders -- exclusion orders and cease and desist orders. Both types of orders may be issued in the same case. An award of money damages is not available as a remedy for violation of Section 337. An exclusion order directs the U.S. Customs Service to exclude articles from entry into the United States. There are two types of exclusion orders -- general exclusion orders and limited exclusion orders. A general exclusion order directs the U.S. Customs Service to exclude all infringing articles, without regard to source. In contrast, a limited exclusion order directs the Customs Service to exclude all infringing articles that originate from a specified firm that was a respondent in the Commission investigation. If an entity has previously attempted to import an excluded article into the United States and the article was previously denied entry by the U.S. Customs Service, the Commission may order the seizure and

17 U.S.C. § 602, if ruled to be infringing. Under Customs policy, merchandise which is initially determined to be possibly piratical of a registered copyright which has not been recorded with Customs is not subject to detention or seizure. Articles which have been determined to infringe a copyright will be destroyed pursuant to statutory and regulatory authority, 17 U.S.C. § 603(c) and 19 CFR 133.52(b).

forfeiture of subsequent shipments of the article. See 19 U.S.C. § 1337(i).19

A cease and desist order directs a respondent in the Commission investigation to cease its unfair acts, including selling infringing imported articles out of U.S. inventory. Unlike exclusion orders, cease and desist orders are enforced by the Commission, not by the Customs Service. See 19 U.S.C. § 1337(f)(2) (which provides for civil penalties for violation of cease and desist orders).

Because a Section 337 investigation by the USITC can typically take 12 to 18 months to conclude after initiated, a party seeking relief may request that the Commission conduct expedited temporary relief proceedings and issue an immediate temporary exclusion order and/or a temporary cease and desist order during the course of the investigation.

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About Sonnenberg & Anderson

About Our Organization...

The law firm of Sonnenberg and Anderson has guided clients through Customs and International Trade Law for more than two decades.

Practice areas include matters involving:

- U.S. Customs and Border Protection
- U.S. Department of Commerce
- U.S. International Trade Commission
- U.S. Court of International Trade
- Court of Appeals for the Federal Circuit

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