

# **Intellectual Property Rights and United States International Trade Laws**

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## XXXI. STATUTORY AUTHORITY FOR ENFORCEMENT AGAINST IMPORTED GOODS THAT INFRINGE OR COUNTERFEIT A TRADEMARK, TRADE NAME, OR COPYRIGHT

### A. Trademark and Trade Name Provisions

Titles 15 and 19 of the United States Code include provisions that prohibit the importation into the U.S. of merchandise and/or containers that infringe a United States-registered trademark or a domestic or foreign trade name or provide a counterfeit of a registered trademark. The statutes provide for Customs Service enforcement, which can take the form of exclusion of infringing merchandise or seizure and possible forfeiture of infringing and counterfeit goods, as well as the assessment of civil penalties against parties involved in the importation or attempted importation of the proscribed goods.

Section 42 of the Lanham Act, codified at 15 U.S.C. § 1124, requires imported merchandise that copies or simulates a trademark registered in the United States or the name of a domestic foreign manufacture, manufacturer or trader to be denied entry into the U.S. Imports bearing the name of a foreign manufacture, manufacturer or trader may similarly be excluded, as long as the foreign country involved "by treaty, convention, or law affords similar privileges to citizens of the United States." The statute also prohibits entry to imported merchandise that "bear[s] a mark or name calculated to induce the public to believe that the article is manufactured in the United States, or that it is manufactured in any foreign country or locality other than the country or locality in which it is in fact manufactured."

To facilitate these prohibitions, the statute authorizes domestic and foreign parties to record their names, trademarks, and places where their goods are manufactured with the Treasury Department, the cabinet department that oversees the Customs Service. The Treasury Department is directed to disseminate this information to Customs Service officers, who enforce the exclusion requirement. In practice, the Treasury Department has delegated its statutory responsibility to the Customs Service.

A trademark owner or other party whose intellectual property is protected under the statute may seek to compel the Customs Service to enforce the statute through a Federal district court action. *Lever Bros. Co. v. United States*, 877 F.2d 101 (D.C. Cir. 1989); see *Montres Rolex, S.A. v. Snyder*, 718 F.2d 524, 527-28 (2d Cir. 1983), cert. denied, 465 U.S. 1100 (1984). The statute also gives rise to a private right of action allowing the intellectual property owner to proceed directly against the alleged infringing party. E.g., *Societe des Produits Nestle, S.A. v. Casa Helvetia Inc.*, 982 F.2d 633 (1st Cir. 1992).

Sections 43(b) and 43(a)(1) of the Lanham Act, 15 U.S.C. §§ 1125(b) and 1125(a)(1), require the exclusion from entry of any goods or container therefor that is marked or labeled to contain:

any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin,

sponsorship, or approval of his or her goods, services, or commercial activities by another person. . . .

Section 43(a)(1) also permits a district court action by a person alleging damage from another party's use of such false or misleading labels or containers.

In addition to the seizure authority set forth in the preceding provisions, the Customs Service may seize and forfeit goods that violate Sections 1124 and 1125 pursuant to 19 U.S.C. § 1595a(c)(2)(C). 19 U.S.C. § 1595a(b) also authorizes imposition of a penalty against the importer and other parties involved in the transaction:

Every person who directs, assists financially or otherwise, or is in any way concerned in any unlawful activity mentioned in the preceding subsection shall be liable to a penalty equal to the value of the article or articles introduced or attempted to be introduced.

19 U.S.C. § 1526(a) prohibits the importation of "merchandise of foreign manufacture" or a "label, sign, print, package, wrapper, or receptacle" for such merchandise that bears a registered trademark that is owned by a United States citizen or a corporation or association organized under the laws of the U.S. Such goods are subject to seizure and forfeiture under 19 U.S.C. § 1526(b), as long as the trademark has been recorded with the Treasury Department. The statutory prohibition excludes merchandise for which the trademark owner has given written consent for importation, 19 U.S.C. § 1526(a), and small quantities of merchandise accompanying travelers for their personal use, 19 U.S.C. § 1526(d).

Section 1526(a) does not require that the imported merchandise be infringing; to the contrary, it covers genuine trademarked merchandise produced abroad, and to that extent is broader in coverage than 15 U.S.C. §§ 1124 and 1125. On the other hand, the statute's reach extends only to registered trademarks; unlike 15 U.S.C. § 1124, it does not cover trade names. Section 1526(a) also does not apply when the domestic and foreign trademark owners are the same parties or are related to each other or to a common owner, or when one owner controls the other or both are subject to control by another party. *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988).

19 U.S.C. § 1526(e) prohibits the importation of merchandise bearing a counterfeit trademark, and directs that such merchandise must be seized and forfeited. Thereafter, the goods must either be destroyed or, with the trademark owner's permission, have the counterfeit mark removed, following which they may be donated to a charitable organization, used by the federal government, or sold at public auction. Certification marks are covered by this provision, as well as trademarks. *United States v. 4500 Audek Model No. 5601 AM/FM Clock Radios*, 220 F.3d 539 (7th Cir. 2000). In addition to forfeiture of the goods, the statute provides that persons involved in the importation or attempted importation of counterfeit goods are subject to a civil fine. 19 U.S.C. § 1526(f).

The statute also establishes a private right of action for damages and injunctive relief. 19 U.S.C. § 1526(c).

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Although the statutes permit, and in the case of counterfeits require, that proscribed goods be seized, the Customs Service is also authorized to remit a seizure. The agency has been granted general remission authority in 19 U.S.C. § 1618, and 19 U.S.C. § 1595a(c)(5)(A) specifies that this authority is applicable to seizures made under 19 U.S.C. § 1595a(c)(2)(C). 19 U.S.C. § 1595a(c)(5)(A) also authorizes the Customs Service to permit the exportation of merchandise that was seized under 19 U.S.C. § 1595a(c)(2)(C).

## B. Copyright Provisions

17 U.S.C. § 602(a) prohibits the importation of copies or phonorecords obtained outside the U.S. unless authorized by the owner of a copyright on those works. The prohibition does not apply imports for use by the Federal government or a state or local government, unless the work is for use in schools or is an audiovisual work imported for purposes other than archival use. It also excludes works imported for the private use of the importer (limited to one copy or phonorecord at any one time) or as part of an arriving traveler's personal baggage. In addition, it excludes one copy of an audiovisual work and up to five copies or phonorecords of any other work imported by or for an organization operated for scholarly, educational, or religious purposes and not for private gain. *Id.*

17 U.S.C. § 602(a) directs the Treasury Department to adopt regulations to enforce Section 602. The statute provides that such regulations

may require, as a condition for the exclusion of articles under Section 602—

(1) that the person seeking exclusion obtain a court order enjoining importation of the articles; or

(2) that the person seeking exclusion furnish proof, of a specified nature and in accordance with prescribed procedures, that the copyright in which such person claims an interest is valid and that the importation would violate the prohibition in Section 602; the person seeking exclusion may also be required to post a surety bond for any injury that may result if the detention or exclusion of the articles proves to be unjustified.

17 U.S.C. § 602(b). The statute permits seizure and forfeiture of articles imported in violation of these prohibitions, and appears to require destruction of forfeited articles. 17 U.S.C. § 602(c).

Seizure and forfeiture of copies or phonorecords "manufactured, reproduced, distributed, sold, or otherwise used, intended for use, or possessed with intent to use in violation of" 17 U.S.C. § 506(a) (which provides criminal sanctions for willful copyright infringement) is authorized under 17 U.S.C. § 509. This section also permits seizure and forfeiture of "all plates, molds, matrices, masters, tapes, film negatives, or other articles by means of which such copies or phonorecords may be reproduced, and all electronic, mechanical, or other devices for manufacturing, reproducing, or assembling such copies or phonorecords." 17 U.S.C. § 509(a). Section 509 specifies that seizures effected under it are governed by the procedures established under general provisions of the customs laws relating to seizures and forfeitures and their remission. 17 U.S.C. § 509(b).

## XXXII. THE CUSTOMS SERVICE REGULATIONS

The Customs Service is a service of the Treasury Department. 31 U.S.C. § 308. It has the primary enforcement role in excluding prohibited imports from entry into the United States. The Customs Service's regulations implement the statutory provisions concerning exclusion of articles with infringing or counterfeit trademarks, trade names, or copyrights. Specifically, they provide procedures for trademark and trade name registration, treatment of potentially infringing or counterfeit goods, and importers' options in the event their merchandise is prevented from entering the U.S.

### A. Recordation of Trademarks

A trademark owner seeking protection against infringing imports may apply to record its trademark with the Customs Service. Recordation is a condition precedent for Customs Service enforcement against articles bearing copying or simulating trademarks, as well as against gray market imports. 19 C.F.R. §§ 133.22(a), 133.23(a); *see Weil Ceramics & Glass, Inc. v. Dash*, 618 F. Supp. 700 (D.N.J. 1985), *rev'd on other grounds*, 878 F.2d 659 (3d Cir. 1989) (registration required for gray market protection) and *Customs Headquarters Rulings 451754* (Nov. 13, 1991) (recordation a prerequisite for seizure of goods bearing confusingly similar marks) and *731605* (Nov. 15, 1988) (recordation's expiration removes restrictions on infringing imports).

On the other hand, recordation is not required for the agency to proceed against merchandise bearing a counterfeit trademark. 19 C.F.R. § 133.21(a), (b); *Customs Headquarters Ruling 451754* (Nov. 13, 1991). Nevertheless, even those trademark owners that are concerned solely with counterfeit imports should consider recording their marks with the Customs Service, as doing so will place the trademark in a national database that makes it more readily accessible to Customs inspectors.

Recordation is limited to marks that have current registrations with the Patent and Trademark Office. 19 C.F.R. § 133.1(a).<sup>52</sup> A foreign trademark that has not been registered in the U.S. is ineligible for Customs Service protection. *Customs Headquarters Ruling 460963* (March 11, 1996).

Applications to record trademarks must be in writing, and provide the following information:

- The name, complete business address, and citizenship of the trademark owner or owners (if a partnership, the citizenship of each partner; if an association or

52 Section 133.1(a) provides:

(a) Eligible trademarks. Trademarks registered by the U.S. Patent and Trademark Office under the Trademark Act of March 3, 1881, the Trademark Act of February 20, 1905, or the Trademark Act of 1946 (15 U.S.C. § 1051 *et seq.*) except those registered on the supplemental register under the 1946 Act (15 U.S.C. § 1096), may be recorded with the U.S. Customs Service if the registration is current.

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corporation the State, country, or other political jurisdiction within which it was organized, incorporated, or created);

- The places of manufacture of goods bearing the recorded trademark;
- The name and principal business address of each foreign person or business entity authorized or licensed to use the trademark and a statement as to the use authorized; and
- The identity of any parent or subsidiary company or other foreign company under common ownership or control which uses the trademark abroad. For this purpose:
  - (1) Common ownership means individual or aggregate ownership of more than 50 percent of the business entity; and
  - (2) Common control means effective control in policy and operations and is not necessarily synonymous with common ownership.

19 C.F.R. § 133.2(a)-(d). The reason for the inquiry regarding the trademark owner's "common ownership and control" with a foreign company using the trademark is to limit protection to trademarks with different foreign and domestic owners. The Customs Service's longstanding interpretation of 19 U.S.C. § 1526(a) is that its prohibitions are inapplicable when the domestic and foreign trademarks are owned and/or controlled by the same or related companies. See 19 C.F.R. § 133.23(a) and *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 285 (1988) (discussing predecessor to Section 133.23(a)). Except in "*Lever Brothers*" circumstances discussed below, the Customs Service will not provide protection when the domestic and foreign trademarks have common ownership or control. 19 C.F.R. § 133.23.

### **1. Additional Requirement for "Lever Rule" Recordations**

The regulation includes an additional requirement for U.S. trademark owners that have common ownership and control with the foreign trademark owner and wish to apply for protection against imported goods that have material physical differences from merchandise bearing the same trademark in the United States.

**Lever-rule protection.** For owners of U.S. trademarks who desire protection against gray market articles on the basis of physical and material differences (see *Lever Bros. Co. v. United States*, 981 F.2d 1330 (D.C. Cir. 1993)), a description of any physical and material difference between the specific articles authorized for importation or sale in the United States and those not so authorized. In each instance, owners who assert that physical and material differences exist must state the basis for such a claim with particularity, and must support such assertions by competent evidence and provide summaries of physical and material differences for publication. Customs determination of physical and material differences may include, but is not limited to, considerations of:

- (1) The specific composition of both the authorized and gray market product(s) (including chemical composition);
- (2) Formulation, product construction, structure, or composite product components, of both the authorized and gray market product;

- (3) Performance and/or operational characteristics of both the authorized and gray market product;
- (4) Differences resulting from legal or regulatory requirements, certification, etc.;
- (5) Other distinguishing and explicitly defined factors that would likely result in consumer deception or confusion as proscribed under applicable law.

19 C.F.R. § 133.2(e). This regulation was adopted in response to the appellate decisions in *Lever Bros. Co. v. United States*, 877 F.2d 101 (D.C. Cir. 1989) and 981 F.2d 1330 (D.C. Cir. 1993). The court concluded that common ownership of domestic and foreign trademarks did not bar exclusion of certain unauthorized imports pursuant to 15 U.S.C. § 1124: "Section 42 of the Lanham Act precludes the application of Customs' affiliate exception with respect to physically, materially different goods." 981 F.2d at 1338.

An applicant seeking protection under this provision would be well-advised to provide painstaking documentation of the differences between the imported and domestic trademarked products. The factors set forth in the regulation are broad enough to encompass a vast array of product differences, and the fifth factor, 19 C.F.R. § 133.2(e)(5), is a catch-all that permits applicants to identify additional differences that they consider to be important.

The *Federal Register* notices proposing and adopting the rules makes it clear that an application for "Lever Brothers" protection must be well-documented, and should address at least some of the characteristics set forth in the regulation

In each case, any proffered characteristic must be supported by competent evidence. Customs recognizes that it cannot anticipate all of the considerations that may lead to a finding of "physical and material difference," but *Lever* suggests certain categories of information which are appropriate. The last criterion above leaves open the possibility that unspecified information may be considered at Customs' discretion.

Owners claiming gray market protection under the proposed provision should be aware that Customs will require the grounds for claiming physical and material differences to be stated with particularity. Any such request lacking in specificity will be rejected.

*Gray Market Imports and Other Trademarked Goods; Proposed Rule*, 63 Fed. Reg. 14662, 14664 (March 26, 1998). The specified factors are "a starting point for determining if protection is warranted." *Gray Market Imports and Other Trademarked Goods; Final Rule*, 64 Fed. Reg. 9058, 9060 (Feb. 24, 1999). The Customs Service "will consider other characteristics that can be described with particularity and that would likely result in consumer deception or confusion under the law. The bases explicitly enumerated for granting Lever-rule protection are not all inclusive." *Id.*

To the extent possible, the application should identify the asserted differences on a detailed product-specific basis, e.g., by reference to catalog or stock number. A well-documented application will help to avoid a Customs Service finding that the application was too general to support a finding of differences between specific products, and will also serve to bolster the applicant's case in court in the event the agency either denies the application or allows it to languish without a

decision. Also, specific identification of the infringing

## 2. Additional

The trademark owner should submit the following:

- A status code and Trademark Office file number; and
- Five copies of the trademark, in a size of not less than 8 x 10 pages, the

19 C.F.R. § 133.2(e)(5) money order, \$190.00 for each copy of goods for which protection must be obtained. Customs Service, 1300 Pennsylvania Avenue, N.W., Washington, D.C. 20541, from public domain. The trademark should be physical and not a photograph. 64 Fed. Reg. 9060.

The Customs Service will publish a notice if it receives for publication a comment on the matter." 19 Fed. Reg. 14662, 14664. If granted, attempted to import goods will be seized. The goods are imported under the affiliate exception is applicable upon approval. The Customs Service will publish *Federal Register*. The Customs Service will publish a notice if it receives for publication a comment on the matter." 19 Fed. Reg. 14662, 14664.

## 3. Length

The regulation requires that the trademark be used in the twenty-year period before the trademark law was enacted. The trademark is subject to renewal. The trademark is not subject to renewal if it is not used in the twenty-year period before the trademark law was enacted.