

Edwards Wildman Palmer LLP

# Protecting trademarks against the counterfeiting threat

There are a number of tools available for curbing the availability of counterfeit goods, with the International Trade Commission and US Customs and Border Protection key allies in the fight

US law offers a number of potential avenues for brand owners to prevent counterfeit goods from entering the marketplace.

## Civil liability

A mark owner whose mark is being used on counterfeit goods or services may bring a civil action under the Lanham Act in the same manner as any mark owner that has been infringed. However, in the case of counterfeiting, the law provides a number of remedies not available to victims of standard infringement.

Under the Lanham Act, a ‘counterfeit mark’ is one that is “identical with or substantially indistinguishable from” a mark that has been registered on the US Patent and Trademark Office’s (USPTO) principal register for the same goods on which the mark is used by the alleged counterfeiter.

Plaintiffs claiming infringement by counterfeiting under Section 32 of the act can make an *ex parte* application to the court for an extraordinary action of seizure of the counterfeit merchandise. The applicant must satisfy a number of requirements, including sufficiently demonstrating that:

- no other order of the court could accomplish Section 32’s purposes;
- the applicant is likely to succeed on the merits;
- the application correctly identifies the location of the counterfeit goods; and
- the defendant – or persons acting in concert with the defendant – would move or destroy the counterfeit goods were they given notice.

The act also provides an alternative damage structure for the use of counterfeit marks, such as an award of treble damages, which are measured by the greater of

plaintiff’s damages or defendant’s profits, plus an award of attorneys’ fees. The trebling of damages is mandatory, unless the court determines that there are extenuating circumstances.

In the alternative, the plaintiff in a counterfeiting action may elect an award of statutory damages in place of actual damages. Statutory damages are to be awarded, as the court determines, in an amount not less \$1,000 and not more than \$200,000 per counterfeit mark, per type of goods or services on which the mark is used. For wilful violations, the award may be up to \$2 million.

## Stopping imported goods

US law also provides a number of methods designed to prevent counterfeit merchandise from entering the US marketplace.

## International Trade Commission

In addition to an action in federal court, aggrieved trademark owners can bring an action before the International Trade Commission (ITC) under Section 337 (19 USC § 1337). The ITC is an administrative body created under the Tariff Act of 1930 to redress “unfair methods of competition and unfair acts of importation of articles ... into the United States”, including those articles that infringe registered US trademarks, copyrights and patents.

Under Section 337, the ITC may investigate complaints and issue any of the following remedies:

- a preliminary exclusion order to bar the import of the articles during the pendency of the ITC case;
- a limited exclusion order, barring the respondent from importing the articles at issue into the United States;
- a general exclusion order which bars any

party from importing the articles at issue into the United States, (these are granted in circumstances where widespread counterfeiting and difficulty in identifying the source of the infringement would make circumvention of a limited exclusion order likely); and

- a cease and desist order directed against specified US parties, which may be granted in addition to, or in lieu of, an exclusion order and whose violation can result in a penalty of not more than \$100,000 or twice the domestic value of the articles at issue for each day in violation.

For the owners of registered trademarks whose marks have been counterfeited, the ITC offers a number of advantages over litigation in federal court. The ITC judges are experts in the field, the proceedings are expedited and the ITC can assert *in rem* jurisdiction over the goods at issue, rather than requiring personal jurisdiction over the respondent.

The ITC can also be used for unregistered trademarks and dress. Unlike the anti-counterfeiting provisions of the Lanham Act and the criminal anti-counterfeiting statute, the ITC protects unregistered marks.

However, an ITC complaint based on an unregistered mark must show threatened or actual injury – which is not required for registered marks.

The absence of monetary damages is a disadvantage. However, an ITC proceeding is not mutually exclusive to bringing an action in a US district court and litigation under the Lanham Act may be brought concurrently.

Under 28 USC § 1659(a), a respondent can move to stay the district court litigation pending the outcome of the ITC

proceedings, to the extent that the district court litigation covers the same issues being adjudicated by the ITC.

### US Customs and Border Protection

US Customs and Border Protection (CBP) protects US trademark owners against the importation of infringing goods. The CBP is a division of the Department of Homeland Security and is responsible for, among other things, inspecting goods entering the United States at each of the country's 317 ports of entry, including protecting against the entry of counterfeit merchandise.

So that it can identify counterfeit goods, the CBP has established a register on which brand owners can record their trademarks and trade names. For a fee of \$190 per mark, trademarks registered on the principal register and any unregistered trade name that has been in use for at least six months may be recorded with the CBP (see 19 CFR 133.0 *et seq.*).

The CBP defines a 'counterfeit mark' as a "spurious trademark that is identical to, or substantially indistinguishable from, a registered trademark".

When it locates goods that it suspects bear a counterfeit mark, the CBP will seize the goods and notify the mark owner, which then has 30 days to consent to the importation, exportation or importation after alteration of the goods. If the mark owner does not consent, the CBP will dispose of the goods.

For goods that it identifies as bearing a 'copying or simulating trademark' (ie, a mark that is confusingly similar, though not identical, to a registered mark), the CBP will deny entry to the goods and give the importer 30 days in which to establish one of a variety of reasons why the goods should be allowed entrance (eg, that the mark owner has consented to their importation).

Although simple and cost effective, the process of recording a trademark with the CBP should be completed carefully. If the information provided to the CBP is incomplete or inaccurate, it can result in the detention of your own merchandise or that of your authorised distributors.

### Criminal prosecution

US law further provides for the criminal prosecution of counterfeiters through 18 USC § 2320, which prohibits trafficking in, or attempting to traffic in, goods or services that use a counterfeit mark. 'Counterfeit mark' is defined as a spurious mark that is "identical with, or substantially indistinguishable from, a mark registered on the principal register", and that is

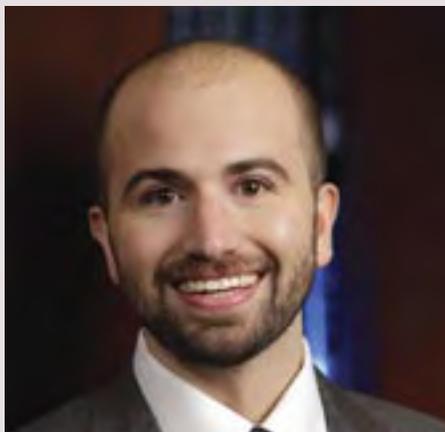


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Rory Radding is a partner in the New York office of Edwards Wildman and is well known for devising cutting-edge IP strategies and litigating diverse trademark, copyright, trade secret and patent cases, in representative areas such as media, bicycles, wine, fashion, consumer products, plastics, avionics, pharmaceuticals and computer software at the federal courts and ITC.



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"applied to or used in connection with the goods or services for which the mark is registered" with the USPTO.

An individual found guilty of trafficking in counterfeit goods or services can be fined up to \$2 million and imprisoned for up to 10 years for a first offence and fined up to \$5 million and imprisoned for up to 20 years for later offences.

An organisation can be fined up to \$5 million for a first offence and up to \$15 million for later offences. The statute provides harsher penalties where the trafficker knowingly or recklessly causes serious bodily injury or death (eg, trafficking in counterfeit pharmaceuticals).

As only the US government can criminally prosecute counterfeiters, aggrieved brand owners need to interest the US Department of Justice in bringing the case.

### Conclusion

Brand owners would be well advised to register with US Customs and Border Protection. It is inexpensive and can be effective if products are imported. Brand owners already harmed by imports should proceed before the ITC, especially where it may be difficult to establish personal jurisdiction over a particular counterfeiter or to ascertain the identities of all members of a group of counterfeiters. Where a counterfeiter operates domestically, the Lanham Act empowers a federal court to seize counterfeit goods and to award a brand owner significant damages. If counterfeiting is significant, the US government should be contacted for criminal prosecution. [WTR](#)