

The U.S. Customs Service: Action Against Counterfeit Goods at the Border

BY GEORGE GOTTLIEB



There are pathways available through federal and state laws to offer protection against the domestic manufacture and sale of counterfeit goods, but large quantities of these infringing goods have origins *outside* the U.S., brought in daily by air, land and sea, which find their way onto the retailers' shelves. The U.S.

Customs Service can block this flow of infringing goods at our borders swiftly and with considerable finality via seizure, detention and destruction of counterfeit merchandise.

In 1996, the U.S. passed the Anti-counterfeiting and Consumer Protection Act (ACPA), offering both the Customs Service and intellectual property rights owners greater weapons to thwart the efforts of infringers and to block the estimated \$100 billion in domestic sales lost every year to foreign-made counterfeit goods. Based on Customs' evaluation of the domestic retail value of the counterfeit goods, the Service has annually seized tens of millions of infringing goods. Helpfully, 80% of goods entering the United States and its territories today through its 301 ports are legitimate and are electronically cleared quickly via the Customs Service's automated systems.

For a small fee, trademarks, trade names and copyrights can be recorded with the Customs Service. Prior to the recording process, trademarks must be registered with the U.S. Patent and Trademark Office (USPTO), and must be kept up to date according to usual trademark requirements. (See our article, entitled, "Understanding the Trademark Application

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Process", *February / March 2000*). Once properly registered with Customs, agents will watch for trademarks on imported goods that are confusingly similar or have a likelihood of confusion to recorded trademarks. Even if a quick determination as to likelihood of confusion cannot be made, a customs agent may detain goods for five days to investigate whether there is reasonable suspicion of infringement and will notify the importer prior to the expiration of that period. It's important to note that the Service does not exercise detention authority over goods bearing confusingly similar unrecorded trademarks.

The trademark owner should also provide as much descriptive information about possible infringing goods, if this becomes known. More intensive monitoring and evaluation can take place if such details as a product's country of origin or the source of manufacture is known. Additionally, if a decision that a violation exists is made after goods are released, Customs has the power to require the importer to return the counterfeit goods to Customs within 30 days. Customs also has the ability to detain gray market goods, goods that legally carry a U.S. trademark in foreign countries but are not licensed for sale in the U.S., and which are usually of substantially different quality than the U.S. counterpart. Trademark owners must request specific protection against the importation of gray market goods before Customs can act. If the customs agent determines that gray market goods are significantly different, materially or physically, from goods the trademark owner has authorized for importation, the goods will be detained. Customs inspectors also consider the look of the entire packaging of imported goods, and if the packaging, but not the goods, appears to bear an infringing mark the goods will also be detained.

Trade names can be recorded with the Customs Service, even if they cannot be registered with the USPTO, but the process for recording is different than that of trademarks. Owners of trade names must publish their trade names in the Federal Register and the U.S. Customs Bulletin. If there are no objections to the

published trade name after a specified time has passed, the trade name can be recorded and enforced very much like a trademark.

Copyright owners must first register their work in the U.S. Copyright Office and then record them with the Customs Service. Such recordation of a copyright affects decisions subsequently made by the Service with respect to release, detention, possible seizure and permanent confiscation or destruction of goods. After checking the Customs Service automated system to see if a copyright has been registered, Customs agents will monitor imports for actual copies or for substantially similar copies of the registered copyrighted material, and then evaluate whether an ordinary observer would conclude that the source of an alleged copy has been a copyrighted work. In addition, the service considers two levels of infringement - "clearly piratical" and "possibly piratical". In the first case, there is a conclusive indication that the counterfeit copy was based on the copyrighted work and appropriate steps will be taken by customs agents immediately. Determination of possibly piratical work is more difficult, but a Customs agent may detain goods when a reasonable suspicion of infringement can be documented.

The Customs agent will detain copyright forgeries in a similar fashion to the way trademark infringements are handled. After goods have been detained and the copyright owner has received notice from Customs, the owner can file a written demand, accompanied by a bond, for exclusion from importation. The burden of proof is on the copyright owner to establish that the goods in question are an infringement, and then both the importer and the copyright owner may submit evidence, legal briefs or other pertinent material (within 30 days of notice) to substantiate their side of the argument. This information is exchanged between parties and presented to the intellectual property rights attorneys of the Customs Service. They will render a final decision on the validity of infringement by disputed material. If the detained article is considered infringing, Customs seizes the goods and the bond is returned to the copyright owner.

Customs has a more limited role with respect to stopping patent infringement at our borders. It can enforce court orders and exclusion orders issued by the

U.S. International Trade Commissions, a specialized administrative agency that deals with many types of improper importations. Customs can also aid patent owners by conducting patent import surveys, to determine which entities are importing products in violation of the owner's patent.

In these times of increased competition from foreign competitors, some of whom use low priced infringing goods as a way of doing business, the U.S. Customs Service provides a valuable means to secure an economic foundation for the right to conduct fair and legitimate business in this country. All intellectual property owners should take advantage of this government-sponsored monitoring service, not only for protection of their rights of ownership, but to send out a notice to all infringers that the U.S. takes these rights very seriously. For further information, visit the U.S. Customs website, <http://www.customs.ustreas.gov/>. If you have any questions regarding this topic or intellectual property rights in general, address them to Gottlieb, Rackman & Reisman by phone at (212) 684-3900, fax at (212) 684-3999 or e-mail at info@grr.com, and we will answer them directly. You may also request a copy of our Primer - a basic "how to" about patents, trademarks and copyrights. And don't forget to visit our website: <http://www.grr.com>.

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