

Stop Counterfeits At The U.S. Border

Monday, April 03, 2006 --- Combating counterfeit goods may seem like a daunting enterprise, given the existence of global networks, foreign manufacturers and opaque trade routes. Of course, counterfeits are produced domestically as well, but the reality is that mass production occurs overseas in countries like China and Russia and counterfeits are distributed both in-country and around the world. In this article, we focus on some relatively simple steps that can be taken by U.S. IP owners to stop counterfeits from entering the United States. The main ingredients of this strategy are:

1. A trademark and copyright portfolio, including marks and works that might be at risk to counterfeiters; and
2. Strategic use of services provided by the U.S. government.

First, let us review the terminology and statutory background. The term “counterfeit” is defined in the U.S. Trademark Act as a “spurious mark which is identical with, or substantially indistinguishable from, a registered mark.” In other words, a counterfeit product is a product that bears another’s mark (or a bad copy of the mark) and masquerades as a genuine product. The trademark may be a word, symbol or even a design that functions as a mark.

The term “counterfeit” is often used to indicate unauthorized copies of copyrighted material. For example, black market CDs and DVDs are piratical, infringing, “counterfeit” products, which frequently bear counterfeit trademarks as well.

By federal law and regulation, the U.S. Customs and Border Protection (CBP) is given the authority to stop or seize counterfeit and piratical products that enter the U.S. In order to do so, CBP refers to its database of registered marks and copyrights, which also contains other related information such as the place of manufacture of the genuine products and the names of authorized importers. CBP relies on IP owners to record their registrations and provide the additional information.

Turning to the details of working with CBP, the first step is to assess the products to determine what trademark and copyright registrations would be helpful for anti-counterfeiting purposes. If sample counterfeit products are available, identify what markings and designs are being copied, and if they function as a mark or are protected under copyright law, register them. It is important to note that the registrations that would be useful for anti-counterfeiting purposes may not be the same as those a business would register if anti-counterfeiting were not part of the selection process.

CBP recently simplified its recordation process by moving it from a paper-only process to a Web interface. In addition to registration numbers, CBP asks for additional details that it needs to assess the products entering the U.S. For trademark recordations, the information includes:

1. The name, complete business address, and citizenship of the trademark owner or owners;
2. The places of manufacture of goods bearing the recorded trademark;
3. 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
4. The identity of any parent or subsidiary company or other foreign company under common ownership or control which uses the trademark abroad.

The additional information is required so that CBP does not stop genuine authorized products from entering the U.S. In addition, owners of U.S. trademarks who desire protection against gray market articles on the basis of physical and material differences may provide 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.

For copyright recordations, the following information is also required:

1. The name and complete address of the copyright owner or owners;
2. If the applicant is a person claiming actual or potential injury by reason of actual or contemplated importations of copies or phonorecords of the eligible work, a statement setting forth the circumstances of such actual or potential injury;
3. The country of manufacture of genuine copies or phonorecords of the protected work;
4. The name and principal address of any foreign person or business entity authorized or licensed to use the protected work, and a statement as to the exclusive rights authorized;
5. The foreign title of the work, if different from the U.S. title; and
6. In the case of an application to record a copyright in a sound recording, a statement setting forth the name(s) of the performing artist(s), and any other identifying names appearing on the surface of reproduction of the sound recording, or its label or container.

It is also possible to upload images of the protected work or trademark, instead of sending samples to CBP.

As products enter the U.S., CBP refers to the database and may seize or detain counterfeit or piratical products. CBP then provides the IP owner (or its representative) with information regarding the shipment, such as the country of origin, and the name and address of the manufacturer, exporter and importer. Samples may be provided to the trademark owner, although this sometimes requires the posting of a bond.

CBP has the authority to seize and destroy goods that bear the trademark, or

that are identical to a registered copyright. Goods that bear a simulation of a recorded trademark, or that are suspected of infringing upon a copyright are detained, pending action by either the importer or the IP owner. Depending on the outcome, the goods may enter after the simulated trademark is removed, or they may be forfeited.

After recordation is complete, the IP owner can take further steps to enhance CBP's effectiveness in stopping counterfeiting products. As the business becomes aware of counterfeit products, manufacturers, exporters and importers, all known information regarding these entities should be forwarded to CBP. Also, CBP invites IP owners to work with CBP to inform its agents of ways to distinguish counterfeit items from genuine products. Such hands-on training can raise the Customs agents' awareness of the trademark and increase the likelihood that counterfeit products will be seized.

Whether the shipment of counterfeit products entering the U.S. is increasing or CBP is becoming more effective at stopping counterfeit products, the increase in the value of counterfeit goods seized by CBP is rising dramatically every year. For example, in 2005, CBP made over 8,000 seizures, a 10% increase from 2004.

In addition to CBP, other government agencies also undertake anti-counterfeiting activities. For details, visit the Web site for the nine-agency STOP! initiative at StopFakes.gov. The PTO also conducts educational sessions for domestic businesses and foreign government officials to increase understanding of counterfeit products.

The U.S. Congress is also taking steps to combat counterfeiting. The passage of the Stop Counterfeiting in Manufactured Goods Act, which was signed into law by President Bush on March 16, 2006, strengthens the ability of U.S. law enforcement and IP owners to go after counterfeiting operations.

This Act includes two significant definitional provisions. The first is the expansion of the scope of the crime to include trafficking in "labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature" that bear the mark. Prior to this Act, the law required that the mark be affixed to the product in order for counterfeiting to be established. Therefore, traffickers could avoid conviction and liability by transporting the goods and the labels separately for as much of the supply chain as possible. This Act adds the transportation of the labels themselves to the definition of the offense.

A second significant effect of this Act is the expansion of the definition of "traffic" to include transporting the goods "for purposes of commercial advantage or private financial gain". This broader definition prevents counterfeiters from escaping liability by obscuring the financial benefit with, for example, a favor system instead of a strict "services for money" exchange.

Recordation with CBP is a relatively straightforward and cost-effective component of an anti-counterfeiting program. Furthermore, the information gained from the shipments stopped by CBP may include identification of the manufacturer and exporter of the counterfeit goods: information helpful for stopping the problem at the source.

Companies confronting counterfeit goods are encouraged to participate in the efforts of the Coalition Against Counterfeiting and Piracy (www.thecacp.org), a coalition of more than 130 companies and organizations focused on tackling the serious global problem of counterfeiting.

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