

# Staying Ahead

with Saul Ewing

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## Technology Transactions and Intellectual Property

### Protection of Intellectual Property Rights at the Border

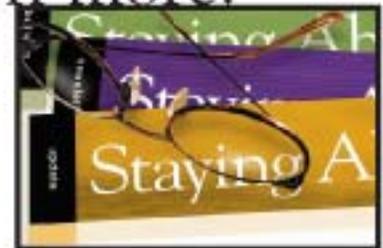
#### What happened?

The importance of the U.S. Customs Service in fighting the war against terrorism and in otherwise keeping our borders safe and secure is widely appreciated. Unknown to many American businesses, however, Customs can also be an important partner in fighting the war against the illegal importation of goods that infringe their valuable intellectual property rights.

#### What does it mean?

Grounded in its broad statutory powers to detain and seize goods, Customs has in place an increasingly effective enforcement program which can afford critical benefits to businesses and save them both money and aggravation. However, as with many important Government programs, a business must first be aware of the program, and then take the necessary steps to participate.

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## Overview of the Program

As a consequence of 9/11, Customs was divided into two separate agencies, U.S. Customs and Border Protection (“CBP”) and U.S. Immigration and Customs Enforcement (“ICE”). CBP’s responsibilities include civil administrative border enforcement of Intellectual Property Rights (“IPR”) through detentions and seizures of illegal goods, “forfeitures” of those goods to the Government and imposition of civil penalties. ICE’s responsibilities include criminal border enforcement of intellectual property rights through investigations, arrests, prosecutions and convictions.

CBP has about 20,000 inspectors at 317 ports of entry. CBP inspectors search for violations of IPR through routine checking or intelligence. Among the thousands of ICE agents, hundreds investigate fraud-related matters including criminal IPR violations. These agents, where appropriate, refer matters to federal prosecutors. ICE agents have teamed up with FBI agents to investigate IPR crimes and work together at an office called the “IPR Center”. This office, using leads from industry and the public at large, analyzes investigative leads and refers appropriate leads to agents in the field for investigation. Notwithstanding this dual civil and criminal enforcement program, the vast majority of IPR enforcement consists of civil “*in rem*” actions against the goods themselves, not criminal investigation or prosecutions.

An important element of CBP’s mission is to prevent the importation of goods which violate trademark, copyright and patent rights. For trademarks and copyrights the agency accomplishes this using its administrative authority to detain, exclude, secure the forfeiture of and destroy goods found to be unlawful. CBP has three principal enforcement arms. Its IPR Branch, based in Washington, D.C., provides pre-seizure advice to the field, maintains an IPR database of recorded trademarks and copyrights (discussed below), and provides IPR training to the field. Another CBP arm, its Office of Field Operations (“OFO”), has agents at every port of entry and is responsible for, among other things, cargo inspection. The OFO has responsibility for initial detentions and seizures, reviews the validity of seizures through a petition process and also determines whether penalties should be assessed. The third arm, the Los Angeles Strategic Trade Center, coordinates overall enforcement plans in partnership with U.S. industries, develops statistical data concerning seizures, and operates an IPR “Help Desk.”

## Participation in the Program

If a business (1) has protectible trademarks, trade names, certification marks, service marks, product “trade dress” (i.e., a product’s overall presentation), copyrights or certain patents, and (2) could be monetarily or reputationally harmed if infringing products gain entry into the U.S. market, it should seriously consider participating in this program. Here’s how it works. Customs maintains an automated system which contains information regarding IPR which have been duly recorded with Customs. There are currently more than 25,000 recordations in this IPR module. When screening and inspecting products about to enter the U.S., OFO agents access this system, and it is this system upon which they most rely to determine whether such products may be in violation of the recorded IPR.

A prerequisite to participation in the program is therefore to have all relevant trademarks and copyrights duly recorded. Without this “ticket”, participation is not possible. The recordation process is straightforward and includes submitting samples or photos, and information regarding legitimate users and suspected infringers. The goal is to give the agents adequate information about the IPR and potential infringers. Although no specific form is required, it is essential that the recordation request include all relevant information. The price for the “ticket” is surprisingly reasonable. Although due to increase, the current recordation fee is only \$190. Recordations are good for 10 years.

Customs, however, will only accept recordation requests for *registered* trademarks and copyrights. What this means is that, in order to participate in the program, Customs requires that a business first take the appropriate steps to generally protect its IPR by securing trademark registrations from the U.S. Patent and Trademark Office (the “PTO”) and copyright registrations from the U.S. Copyright Office. Registration certificates must be submitted with recordation requests. It should be stressed, however, that, for most businesses, securing such registrations should be a “given” – not simply to participate in this Program but in light of other important legal and practical benefits of registration.

## Enforcement

For trademarks, Customs will take action at the borders if the products are confusingly similar, counterfeit, or gray

market. It generally boils down to whether the agents conclude that there would be a “likelihood of confusion”, i.e., whether ordinarily prudent consumers would likely be confused as to the source or sponsorship of the products based upon the mark which appears upon them. Although Customs employs a so-called *Polaroid* analysis in making these determinations, it heavily relies on the extent to which the marks are similar. To be “confusingly similar”, Customs regulations do not require that the marks be “identical” or even “substantially indistinguishable”; rather, the suspect mark simply has to be one which is “copying” or “simulating” such that it would cause the public to associate it with the genuine mark. Counterfeit marks under the federal Lanham Act are considered to be spurious marks which are identical with, or substantially indistinguishable from, registered marks. The regulations describe gray market goods as genuine goods manufactured for sale in a foreign country and then imported into the U.S. without the permission or “authorization” of the U.S. trademark owner.

If a product is determined to be “confusingly similar”, it is initially detained while the importer is given a 30-day opportunity to “obtain release” of the goods; secure the trademark owner’s written permission to import the goods; or, obliterate the offending trademarks. If none of these occur, the goods generally are seized. If a product is determined to be counterfeit relative to a recorded mark, the product is subject to seizure and the importer subject to civil fines (amount dependent on the extent of the violations). Gray market goods are initially detained for 30 days during which time the importer has the opportunity to obtain release of the goods by either obtaining permission from the trademark owner or obliterating the mark. Here, also, the goods can be seized if not timely released.

For copyrights, Customs agents generally determine whether an “ordinary observer” would be disposed to overlook minor differences between two works and consider their overall aesthetic appeal to be the same. This is often described by whether there is “substantial similarity” between the two works. If it is determined that an item is “clearly piratical” of a protected copyright, i.e., the item bears an overwhelming degree of substantial similarity to the protected work, it is subject to immediate seizure and forfeiture. “Possibly piratical” articles are initially detained, but are subject to an administrative procedure involving the importer and copyright owner. Unless recorded, Customs will take no action relative to “possibly piratical” articles.

For patents, the ability of Customs to act is more circumscribed. Customs can only enforce “exclusion orders” issued by the International Trade Commission, and conduct patent surveys. Customs has no legal authority to make patent infringement determinations at the border.

## Conclusions

The Government has a rather straightforward and inexpensive recordation process for trademarks and copyrights whereby businesses can elicit the direct assistance of Customs agents at ports of entry to prevent infringing goods from entering the country. To take advantage of the program, businesses must establish that their trademarks and copyright are “entitled” to be included in this program, i.e., by duly registering them with the PTO or Copyright Office. They then need to take a few simple steps and pay a small fee to activate protection.

Especially in this post-9/11 period when Government personnel and resources are so heavily committed to fighting terrorism, a program such as this one must cope with trimmed budgets, the need for more personnel and issues of adequate training for such personnel. On balance, however, this program demonstrates the Government’s understanding, given our global economy, of the need and urgency to protect businesses from overseas competitors intent on illegally benefiting within our borders from the valuable IPR of those businesses. It also recognizes that the Government will help those who first help themselves by securing registrations with the PTO or Copyright Office of their IPR, thereby demonstrating that they, in fact, truly value their IPR.

*This Update was prepared by Howard Slavit, Esq., of Saul Ewing’s TTIP Group for informational purposes only. Saul Ewing’s TTIP Group represents clients throughout the Mid-Atlantic region and beyond, but the dissemination of this publication should not be viewed as an offer to perform legal services in any jurisdiction other than those in which Saul Ewing attorneys are licensed to practice. Those jurisdictions are set forth in the individual descriptions of lawyers on our website: [www.saul.com](http://www.saul.com). The provision and receipt of the information in this publication (a) should not be considered legal advice, (b) does not create a lawyer-client relationship, and (c) should not be acted on without seeking professional counsel who has been informed of specific facts. Questions may be directed to Howard Slavit, Washington, DC office, or to Pamela S. Goodwin, Managing Partner, Princeton, New Jersey office.*

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